



**Steve Tshwete Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2018**

Audited  
By

2018 -11- 30

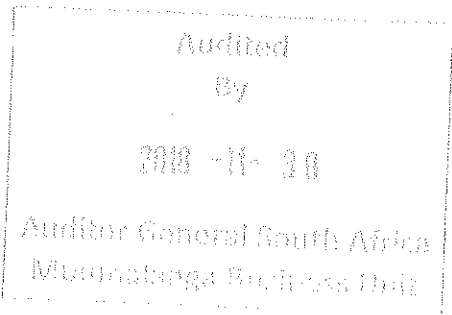
Auditor General South Africa  
Mpumalanga Business Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Municipal demarcation code</b>	MP313
<b>Grading of local authority</b>	Grade 4
<b>Capacity of local authority</b>	High capacity
<b>Nature of business and principal activities</b>	<p>The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:</p> <p>General services - All types of services rendered by the municipality, excluding the supply of housing to the community.</p> <p>Waste Management Services - The collection, disposal and recycling of waste.</p> <p>Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.</p> <p>Waste water management - Collection and purification of waste water.</p> <p>Water Services -Supply and purifying of water.</p>
	
<b>Domicile</b>	South Africa
<b>Executive Mayor</b>	Cllr BJ Tolo (6 April 2018 to 30 June 2018) Ald M Masina (1 July 2017 to 31 March 2018)
<b>Speaker</b>	Cllr AM Mabena
<b>Council Whip</b>	Cllr SD Nkadameng
<b>Mayoral Committee</b>	Cllr MI Kgalema Cllr DJ Motsepe Cllr SM Malepeng Cllr MTE Mnguni Cllr J Matshiane Cllr JM Mitchell Cllr NC Mkhuma
<b>MPAC Chairperson</b>	Cllr RM Xaba

# Steve Tshwete Local Municipality

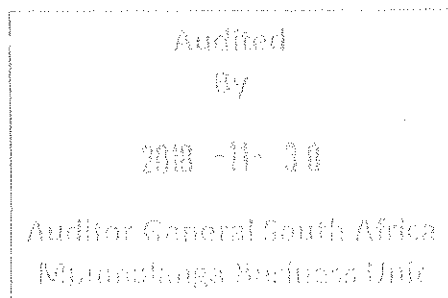
Annual Financial Statements for the year ended June 30, 2018

## General Information

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### Councillors

Cllr LK Mahlangu  
Cllr RG Mamogale  
Cllr AB Marumo  
Cllr PM Masilela  
Cllr M Masina  
Cllr TP Mnisi  
Cllr TS Motloung  
Cllr TE Motsepe  
Cllr MC Mphego  
Cllr MJ Sekgwele  
Cllr DJ Skhosana  
Cllr J Skosana  
Cllr AM Mahlangu  
Cllr MN Mathibela  
Cllr TN Morufane  
Cllr TP Motau  
Cllr DL Paul  
Cllr MM Skhosana  
Cllr TR Vilakazi  
Cllr LJN Zondo  
Cllr EM Bruiners  
Cllr E Du Toit  
Cllr J Dyason  
Cllr AS Grobler  
Cllr P Mobango  
Cllr SM Mogola  
Cllr HF Niemann  
Cllr KJ Phasha  
Cllr JP Pretorius  
Cllr Cllr GHE Romijn  
Cllr SJ Roos  
Cllr AO Thabatha  
Cllr HG De Klerk  
Cllr A Struwig  
Cllr DA Stuurman  
Cllr TN Van Zyl  
Cllr S Wait  
Cllr JP Duvenage  
Cllr KPJ Uys  
Cllr P Mailola  
Cllr A Mangcotywa  
Cllr NM Hadebe  
Cllr LC Masemula  
Cllr MC Mosoma  
Cllr NJ Mthombeni  
Cllr E Sebesho  
Cllr M Mbatiwe



### Accounting Officer

B Khenisa

### Chief Finance Officer (CFO)

E Wassermann

### Registered office

Civic Centre  
Wanderers Avenue  
Middelburg  
1050

### Postal address

P.O. Box 14  
Middelburg  
1050

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## General Information

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### Bankers

ABSA Bank  
Nelspruit

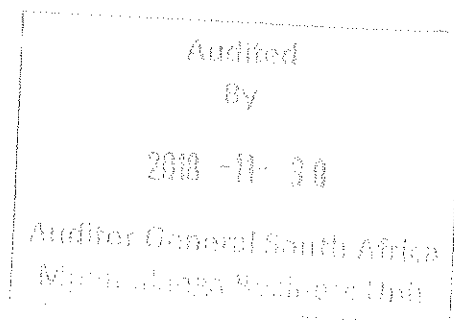
### Auditors

Auditor-General of South Africa

### Attorneys

Van Deventer & Campher Inc.  
Mmela Mtsweni Attorneys  
Mohube Setsoalo Mabusela Inc.  
Nkgadima MS Attorneys  
Johan Alberts Attorneys  
Maphanga & Essa Inc

All figures are rounded off to the nearest Rand (R)



# Steve Tshwete Local Municipality

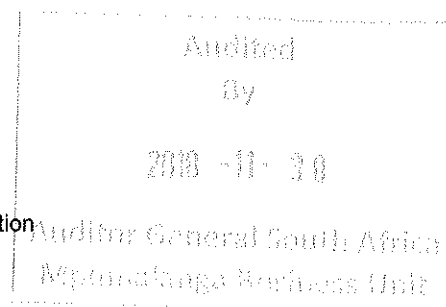
Annual Financial Statements for the year ended June 30, 2018

## Index

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	General Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Governance, Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association
mSCOA	Municipal Standard Chart of Accounts



## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

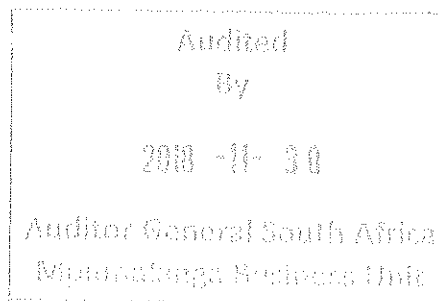
The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 15.

The annual financial statements set out on pages 15 to 105, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2018 and were signed on:

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**B Khenisa**  
Acting Municipal Manager

**Friday, August 31, 2018**



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2018.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of member	Number of meetings attended
Chuene VK (Chairman)	8
Lankalebalele L	8
Mathabathe MG	7
Mmapheto MA	1
Mudau F	1
Thubakgale JL	5

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

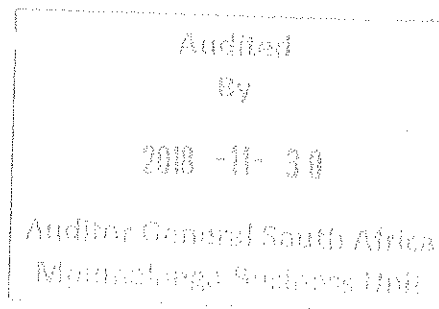
The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date: \_\_\_\_\_



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	165,282,758	168,799,807
Long term receivables	4	11,364	37,657
Operating lease asset	5	1,530,383	262,158
Other receivables from exchange transactions	6	24,934,082	27,702,205
Receivables from non-exchange transactions	7	28,783,534	34,994,812
VAT receivable	8	37,581,156	6,441,569
Receivables from exchange transactions	9	38,756,390	48,922,198
Investments	10	597,711,000	482,000,000
Deposit		2,273,307	1,133,307
Cash and cash equivalents	11	73,070,669	83,901,579
		<b>969,934,643</b>	<b>854,195,292</b>
<b>Non-Current Assets</b>			
Investment property	12	25,895,021	26,006,538
Property, plant and equipment	13	6,330,640,493	6,228,963,332
Intangible assets	14	8,031,062	7,374,076
		<b>6,364,566,576</b>	<b>6,262,343,946</b>
<b>Total Assets</b>		<b>7,334,501,219</b>	<b>7,116,539,238</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long term liabilities	23	16,827,840	11,442,543
Finance lease obligation	15	1,173,341	1,056,937
Payables from exchange transactions	16	167,165,636	168,366,732
Payables from non-exchange transactions	17	1,284,406	2,101,406
Deposits	18	92,500,371	89,257,757
Employee benefit obligation	19	3,176,696	3,224,000
Unspent conditional grants and receipts	20	1,993,207	2,026,623
Provisions	21	2,151,628	1,635,315
Long service award	22	1,931,022	1,651,000
		<b>288,204,147</b>	<b>280,762,313</b>
<b>Non-Current Liabilities</b>			
Long term liabilities	23	166,206,516	55,323,356
Finance lease obligation	15	3,398,471	4,571,138
Employee benefit obligation	19	88,453,191	87,625,060
Provisions	21	28,193,984	25,000,895
Long service award	22	18,358,568	16,943,629
		<b>304,610,730</b>	<b>189,464,078</b>
<b>Total Liabilities</b>		<b>592,814,877</b>	<b>470,226,391</b>
<b>Net Assets</b>		<b>6,741,686,342</b>	<b>6,646,312,847</b>
Accumulated surplus		6,741,686,342	6,646,312,847
<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>2018 -11- 30</p> <p>Auditor General South Africa</p> <p>Mountshingaeni Municipality</p> </div>			

\* See Note 45



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Performance

Figures in Rand

	Note(s)	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	739,016,390	729,866,281
Sales of goods and rendering of services		11,024,769	9,383,233
Rental of facilities and equipment		16,626,936	15,137,997
Interest received - trading		1,704,664	1,936,865
Income from agency services		21,999,471	20,345,495
Licences and permits		8,707,796	8,993,185
Operating income	25	59,019,197	12,688,247
Investment revenue	26	47,049,318	47,867,886
<b>Total revenue from exchange transactions</b>		<b>905,148,541</b>	<b>846,219,189</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	332,769,106	309,753,630
Interest received - trading		1,526,053	1,488,322
<b>Transfer revenue</b>			
Transfers and subsidies	29	215,196,765	190,727,740
Public contributions and donations	30	-	82,098,786
Fines, Penalties and Forfeits		18,772,873	18,362,803
<b>Total revenue from non-exchange transactions</b>		<b>568,264,797</b>	<b>602,431,281</b>
<b>Total revenue</b>		<b>1,473,413,338</b>	<b>1,448,650,470</b>
<b>Expenditure</b>			
Employee related costs	31	(468,134,329)	(434,509,994)
Remuneration of councillors	32	(21,891,023)	(19,588,849)
Depreciation and amortisation	33	(150,865,485)	(153,557,943)
Impairment loss/ Reversal of impairments	34	(16,917,013)	(36,369,041)
Finance costs	35	(10,694,434)	(10,732,032)
Rentals		(284,454)	(573,450)
Bad debts written off		(16,877,648)	-
Inventory consumed		(40,554,912)	(29,216,100)
Bulk purchases	36	(420,156,597)	(410,753,825)
Contracted services	37	(142,123,744)	(132,270,032)
Transfers and Subsidies paid	28	(1,819,386)	(1,823,000)
Loss on disposal of assets and liabilities		(10,562,861)	(894,747)
Inventories losses/write-downs		(1,536,699)	(30,085)
Operational costs	38	(75,621,276)	(72,781,234)
<b>Total expenditure</b>		<b>(1,378,039,861)</b>	<b>(1,303,100,332)</b>
<b>Surplus for the year</b>		<b>95,373,477</b>	<b>145,550,138</b>

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Municipalities and Districts Unit

\* See Note 45

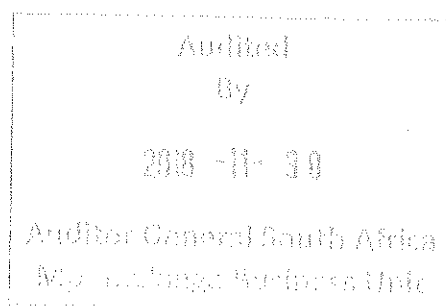
## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	6,478,237,657	6,478,237,657
Adjustments		
Prior year adjustments	22,525,047	22,525,047
<b>Balance at July 01, 2016 as restated*</b>	<b>6,500,762,704</b>	<b>6,500,762,704</b>
Changes in net assets		
Surplus for the year	148,017,086	148,017,086
Prior Year Adjustments: Depreciation	(2,835,318)	(2,835,318)
Prior Year Adjustments: Performance	(116,494)	(116,494)
Prior Year Contracted Services	484,869	484,869
Total changes	145,550,143	145,550,143
<b>Restated* Balance at July 01, 2017</b>	<b>6,646,312,865</b>	<b>6,646,312,865</b>
Changes in net assets		
Surplus for the year	95,373,477	95,373,477
Total changes	95,373,477	95,373,477
<b>Balance at June 30, 2018</b>	<b>6,741,686,342</b>	<b>6,741,686,342</b>

Note(s)



\* See Note 45

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1,165,261,993	1,100,341,701
Grants		213,962,250	197,369,427
Interest income		50,280,035	51,293,073
		1,429,504,278	1,349,004,201
<b>Payments</b>			
Employee costs		(488,550,417)	(447,384,952)
Suppliers		(675,070,146)	(639,101,064)
Finance costs		(6,682,964)	(7,617,271)
Grants paid		(1,819,386)	(1,823,000)
		(1,172,122,913)	(1,095,926,287)
<b>Net cash flows from operating activities</b>	40	<b>257,381,365</b>	<b>253,077,914</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(263,421,574)	(244,255,243)
Proceeds / (Loss) from sale of property, plant and equipment	13	(2,427,417)	2,972,761
Purchase of investment property	12	-	(55,625)
Purchase of other intangible assets	14	(1,864,477)	(6,488,478)
Movement of investments		(115,711,000)	3,000,000
<b>Net cash flows from investing activities</b>		<b>(383,424,468)</b>	<b>(244,826,585)</b>
<b>Cash flows from financing activities</b>			
Raising / (repayment) of long term liabilities		116,268,456	(10,334,262)
Finance lease payments		(1,056,263)	5,521,270
<b>Net cash flows from financing activities</b>		<b>115,212,193</b>	<b>(4,812,992)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(10,830,910)</b>	<b>3,438,337</b>
Cash and cash equivalents at the beginning of the year		83,901,579	80,463,242
<b>Cash and cash equivalents at the end of the year</b>	11	<b>73,070,669</b>	<b>83,901,579</b>

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Mpehlang Business Unit

\* See Note 45

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	745,091,038	7,241,019	752,332,057	739,016,390	(13,315,667)	
Rental of facilities and equipment	13,975,123	181,988	14,157,111	16,626,936	2,469,825	54
Interest received (trading)	1,757,475	362,815	2,120,290	1,704,664	(415,626)	54
Agency services	-	-	-	21,999,471	21,999,471	54
Licences and permits	8,636,500	(865,200)	7,771,300	8,707,796	936,496	
Other income - (rollup)	58,617,458	31,032,375	89,649,833	70,043,966	(19,605,867)	54
Interest received - investment	30,871,200	4,000,000	34,871,200	47,049,318	12,178,118	54
<b>Total revenue from exchange transactions</b>	<b>858,948,794</b>	<b>41,952,997</b>	<b>900,901,791</b>	<b>905,148,541</b>	<b>4,246,750</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	322,145,308	3,406,897	325,552,205	332,769,106	7,216,901	
Interest received rates	1,395,700	80,902	1,476,602	1,526,053	49,451	

##### Transfer revenue

Government grants & subsidies	215,169,338	3,501,262	218,670,600	215,196,765	(3,473,835)	
Fines, Penalties and Forfeits	11,697,925	1,387,509	13,085,434	18,772,873	5,687,439	

<b>Total revenue from non-exchange transactions</b>	<b>550,408,271</b>	<b>8,376,570</b>	<b>558,784,841</b>	<b>568,264,797</b>	<b>9,479,956</b>	
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<b>Total revenue</b>	<b>1,409,357,065</b>	<b>50,329,567</b>	<b>1,459,686,632</b>	<b>1,473,413,338</b>	<b>13,726,706</b>	
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#### Expenditure

Personnel	(486,042,899)	(3,604,797)	(489,647,696)	(468,134,329)	21,513,367	
Remuneration of councillors	(21,291,615)	(654,236)	(21,945,851)	(21,891,023)	54,828	
Depreciation and amortisation	(163,244,289)	-	(163,244,289)	(150,865,485)	12,378,804	
Impairment loss/ Reversal of impairments	-	-	-	(16,917,013)	(16,917,013)	
Finance costs	(19,308,727)	5,213,944	(14,094,783)	(10,694,434)	3,400,349	54
Bad debts written off	(16,188,288)	-	(16,188,288)	(16,877,648)	(689,360)	
Bulk purchases	(426,940,479)	(1,200,000)	(428,140,479)	(420,156,597)	7,983,882	
Contracted Services	(152,748,647)	(16,694,393)	(169,443,040)	(142,123,744)	27,319,296	54
Transfers and Subsidies	(1,995,000)	-	(1,995,000)	(1,819,386)	175,614	
General Expenses	(133,207,212)	(4,324,059)	(137,531,271)	(117,997,341)	19,533,930	
<b>Total expenditure</b>	<b>(1,420,967,156)</b>	<b>(21,263,541)</b>	<b>(1,442,230,697)</b>	<b>(1,367,477,000)</b>	<b>74,753,697</b>	

<b>Operating surplus</b>	<b>(11,610,091)</b>	<b>29,066,026</b>	<b>17,455,935</b>	<b>105,936,338</b>	<b>88,480,403</b>	
Loss on disposal of assets and liabilities	(55,250)	5,250	(50,000)	(10,562,861)	(10,512,861)	54

<b>Surplus before taxation</b>	<b>(11,665,341)</b>	<b>29,071,276</b>	<b>17,405,935</b>	<b>95,373,477</b>	<b>77,967,542</b>	
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(11,665,341)</b>	<b>29,071,276</b>	<b>17,405,935</b>	<b>95,373,477</b>	<b>77,967,542</b>	
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2018 -11- 30

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

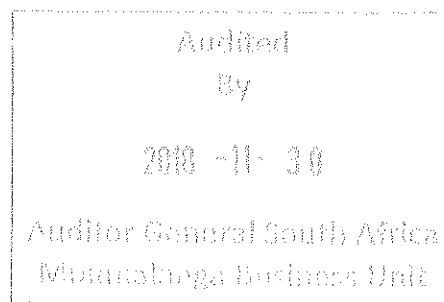
## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Reconciliation



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	210,510,000	-	210,510,000	165,282,758	(45,227,242)	54
Long term receivables	-	-	-	11,364	11,364	
Operating lease asset	-	-	-	1,530,383	1,530,383	
Other receivables from exchange transactions	25,307,058	-	25,307,058	24,934,082	(372,976)	
Receivables from non-exchange transactions	-	-	-	28,783,534	28,783,534	54
VAT receivable	-	-	-	37,581,156	37,581,156	54
Consumer debtors	71,088,872	-	71,088,872	38,756,390	(32,332,482)	54
Investments	306,000,000	176,000,000	482,000,000	597,711,000	115,711,000	54
Deposit	-	-	-	2,273,307	2,273,307	
Cash and cash equivalents	55,805,025	(34,464,330)	21,340,695	73,070,669	51,729,974	54
	<b>668,710,955</b>	<b>141,535,670</b>	<b>810,246,625</b>	<b>969,934,643</b>	<b>159,688,018</b>	

##### Non-Current Assets

Investment property	25,941,390	-	25,941,390	25,895,021	(46,369)	
Property, plant and equipment	6,301,272,221	7,979,567	6,309,251,788	6,330,640,493	21,388,705	
Intangible assets	3,087,770	-	3,087,770	8,031,062	4,943,292	
	<b>6,330,301,381</b>	<b>7,979,567</b>	<b>6,338,280,948</b>	<b>6,364,566,576</b>	<b>26,285,628</b>	

**Total Assets** **6,999,012,336** **149,515,237** **7,148,527,573** **7,334,501,219** **185,973,646**

#### Liabilities

##### Current Liabilities

Long term liabilities	11,442,542	-	11,442,542	16,827,840	5,385,298	
Finance lease obligation	-	-	-	1,173,341	1,173,341	
Payables from exchange transactions	111,923,529	-	111,923,529	167,165,636	55,242,107	54
Taxes and transfers payable (non-exchange)	-	-	-	1,284,406	1,284,406	
Consumer deposits	89,250,299	-	89,250,299	92,500,371	3,250,072	
Employee benefit obligation	-	-	-	3,176,696	3,176,696	
Unspent conditional grants and receipts	-	-	-	1,993,207	1,993,207	
Provisions	13,738,888	-	13,738,888	2,151,628	(11,587,260)	54
Long service award	-	-	-	1,931,022	1,931,022	
	<b>226,355,258</b>	<b>-</b>	<b>226,355,258</b>	<b>288,204,147</b>	<b>61,848,889</b>	

##### Non-Current Liabilities

Long term liabilities	178,670,813	(28,178,291)	150,492,522	166,206,516	15,713,994	
Finance lease obligation	-	-	-	3,398,471	3,398,471	
Employee benefit obligation	-	-	-	88,453,191	88,453,191	
Provisions	141,117,646	-	141,117,646	28,193,984	(112,923,662)	54
Long service award	-	-	-	18,358,568	18,358,568	
	<b>319,788,459</b>	<b>(28,178,291)</b>	<b>291,610,168</b>	<b>304,610,730</b>	<b>13,000,562</b>	

**Total Liabilities** **546,143,717** **(28,178,291)** **517,965,426** **592,814,877** **74,849,451**

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>	<b>6,452,868,619</b>	<b>177,693,528</b>	<b>6,630,562,147</b>	<b>6,741,686,342</b>	<b>111,124,195</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	6,452,868,619	177,693,528	6,630,562,147	6,741,686,342	111,124,195	

Audited  
By  
2018-11-30  
Auditor General South Africa  
Municipal and Business Units

## Annual Financial Statements for the year ended June 30, 2018

### Budget on Cash Basis

Auditor General South Africa  
Mr. J. van Niekerk, Auditor



**Steve Tshwete Local Municipality**  
Annual Financial Statements for the year ended June 30, 2018

**Appropriation Statement**

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2018</b>											
<b>Financial Performance</b>											
Property rates	322,145,304	3,406,897	325,552,201	-	-	325,552,201	332,769,106	-	7,216,905	102 %	103 %
Service charges	745,091,038	7,241,014	752,332,052	-	-	752,332,052	739,016,390	-	(13,315,662)	98 %	99 %
Investment revenue	30,871,200	4,000,000	34,871,200	-	-	34,871,200	47,049,318	-	12,178,118	135 %	152 %
Transfers recognised - operational	162,864,618	3,019,262	165,883,880	-	-	165,883,880	162,433,203	-	(3,450,677)	98 %	100 %
Other own revenue	96,230,185	32,185,644	128,415,829	-	-	128,415,829	139,381,759	-	10,965,930	109 %	145 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,357,202,345</b>	<b>49,852,817</b>	<b>1,407,055,162</b>	-	-	<b>1,407,055,162</b>	<b>1,420,649,776</b>	-	<b>13,594,614</b>	<b>101 %</b>	<b>105 %</b>
Employee Related Cost	(486,042,899)	(3,604,797)	(489,647,696)	-	-	(489,647,696)	(468,134,329)	-	21,513,367	96 %	96 %
Remuneration of councillors	(21,291,615)	(654,236)	(21,945,851)	-	-	(21,945,851)	(21,891,023)	-	54,828	100 %	103 %
Debt impairment	-	-	-	-	-	-	(16,917,013)	-	(16,917,013)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(163,244,289)	-	(163,244,289)	-	-	(163,244,289)	(150,865,485)	-	12,378,804	92 %	92 %
Finance charges	(19,308,725)	5,213,942	(14,094,783)	-	-	(14,094,783)	(10,694,434)	-	3,400,349	76 %	55 %
Materials and bulk purchases	(426,940,479)	(1,200,000)	(428,140,479)	-	-	(428,140,479)	(420,156,597)	-	7,983,882	98 %	98 %
Transfers and grants	(1,995,000)	-	(1,995,000)	-	-	(1,995,000)	(1,819,386)	-	175,614	91 %	91 %
Other expenditure	(302,349,399)	(21,018,449)	(323,367,848)	-	-	(323,367,848)	(287,561,594)	-	35,806,254	89 %	95 %
<b>Total expenditure</b>	<b>(1,421,172,406)</b>	<b>(21,263,540)</b>	<b>(1,442,435,946)</b>	-	-	<b>(1,442,435,946)</b>	<b>(1,378,039,861)</b>	-	<b>64,396,085</b>	<b>96 %</b>	<b>97 %</b>
<b>Surplus/(Deficit)</b>	<b>(63,970,061)</b>	<b>28,689,277</b>	<b>(35,380,784)</b>	-	-	<b>(35,380,784)</b>	<b>42,609,915</b>	-	<b>77,990,699</b>	<b>(120)%</b>	<b>(67)%</b>

Audited

By

2018 -11- 30

Auditor General South Africa  
Mphahlele Business Unit

## Annual Financial Statements for the year ended June 30, 2018

### Figures in Rand

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 25  
 By  
 2003-11-30  
 Auditor General South Africa  
 Wynand van der Merwe, Auditor General

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

##### Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as the trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Auditor General South Africa  
Municipalities and Local Government Unit

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions such as the discount rate, market price, condition of the asset, estimated future cash inflow, outflow, the term for discounting assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

#### Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

#### Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge.

#### Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African Rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 19.

#### Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

2018-11-30  
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# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite

Investment property is, derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 12).

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Community assets	Straight line	10 - 100 years
Infrastructure assets	Straight line	10 - 300 years
Land	Straight line	Indefinite
Landfill site	Straight line	50 years
Other property, plant and equipment # 1	Straight line	2 - 30 years
Housing - properties purchased from previous housing development	Straight line	30 - 100 Years

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- it will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, to their residual values.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 15 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention in to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

By  
2018-11-30  
Auditor General South Africa  
Municipal and Local Government Division

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

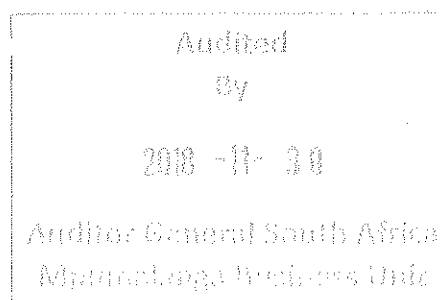
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.7 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.8 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.8 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.9 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Audited  
By  
2018-11-30  
Auditor General South Africa  
Mphahlele Mphahlele  
11/11/2018

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.9 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Long term loans payable / Financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost

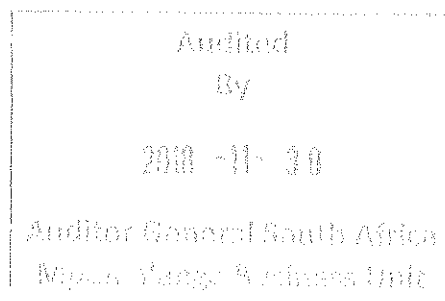
#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fairvalue, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.10 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.10 Statutory receivables (continued)

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

2018-11-30

Mayor General South Africa  
Municipal Manager

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.13 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

### 1.13 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.13 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.13 Employee benefits (continued)

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes (as a minimum):

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

## Annual Financial Statements for the year ended June 30, 2018

#### 1.14 Provisions and contingencies (continued)

### Decommissioning, restoration and similar liability

Where the related asset is measured using the cost model:

### 1.15 Accumulated surplus

### 1.16 Revenue from exchange transactions

## Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the statement of financial performance recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

### 1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

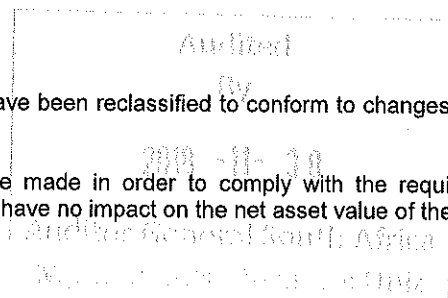
- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 46 for details.

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.22 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. The expenditure is classified in accordance with the nature of the expenditure register, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-17 to 30-Jun-18.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

## Annual Financial Statements for the year ended June 30, 2018

### 1.27 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the municipality.

### 1.28 Events after reporting date

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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# Steve Tshwete Local Municipality

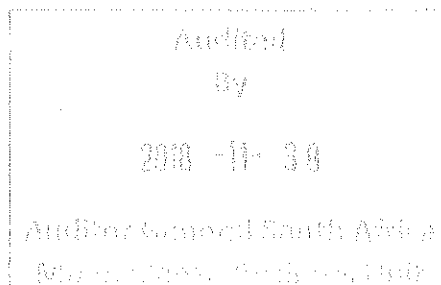
Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

#### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2018 or later periods:

#### GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

### IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after April 01, 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

The impact of this interpretation is currently being assessed.

### IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

### GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 26 (as amended 2016): Impairment of cash-generating assets**

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations (continued)

##### GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after April 01, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>3. Inventories</b>		
Land	144,467,536	152,693,595
RDP Houses	128,952	128,952
Consumable stores	20,416,343	15,619,825
Water	269,927	357,435
	<b>165,282,758</b>	<b>168,799,807</b>

### 3.1 Inventory Shortages and Surpluses

Inventory shortages written off during the year	(365,935)	(15,799)
Inventory surpluses for the year	99,588	9,166
	<b>(266,347)</b>	<b>(6,633)</b>

### Inventory pledged as security

During the year no inventory was pledged as security.

### 4. Long term receivables

#### At amortised cost

Sale of erven	11,364	37,657
Loans were given at a low interest rate of 7.5% per annum to encourage development through the sale of vacant land. In terms of the MFMA no new loans are granted. The remaining repayment terms is less than 12 months.		

#### Current assets

At amortised cost	11,364	37,657
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### 5. Operating lease asset

Current assets	1,530,383	262,158
<b>Minimum lease income</b>		
- within one year	12,315,867	10,960,011
- second to fifth year	34,926,905	47,223,964
- after five years	352,912	55,788
	<b>47,595,684</b>	<b>58,239,763</b>

#### 1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middelburg.

The contract expires on 31 March 2022. The contract escalates annually at 6%.

Actual income levied 2017/2018	R22 123
Expected levy income 2018/2019	R11 510 975
Annual straightlining	R1 405 327

#### 2. Mayivhuthe Contractors: Rental of a portion of Erf 3131 Mhluzi for car wash purposes. The contract expires on 31 March 2019. The contract escalates annually with 10%.

Actual income levied 2017/2018	R29 921
Expected levy income 2018/2019	R52 424
Annual straightlining	R5 953

#### 3. Phola Coaches: Rental of the remainder of portion 27 of the Farm Middelburg Town and Townlands 287 JS.

The contract expires on 31 October 2019. The contract escalates annually with 8%

Actual income levied 2017/2018	R30 772
Expected levy income 2018/2019	R82 324
Annual straightlining	R7 779

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

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### 9. Receivables from exchange transactions (continued)

#### Net balance

Electricity	4,556,738	21,086,782
Water	9,929,474	8,344,117
Waste water management	5,498,917	5,818,531
Waste management	5,586,395	5,015,482
Land sale debtors	3,668,410	41,594
Merchandising, jobbing and costing	9,516,456	8,615,692
	<b>38,756,390</b>	<b>48,922,198</b>

#### Electricity

Current (0 -30 days)	9,803,597	25,684,752
31 - 60 days	1,039,996	799,892
61 - 90 days	492,232	499,997
91 - 120 days	359,982	351,412
121 - 150 days	335,636	204,672
> 150 days	4,144,360	2,641,622
Allowance for impairment	(11,619,065)	(9,095,565)
	<b>4,556,738</b>	<b>21,086,782</b>

#### Water

Current (0 -30 days)	6,265,399	4,116,716
31 - 60 days	1,099,501	712,016
61 - 90 days	600,220	612,521
91 - 120 days	510,084	526,829
121 - 150 days	476,411	395,983
> 150 days	6,089,152	5,579,200
Allowance for impairment	(5,111,293)	(3,599,148)
	<b>9,929,474</b>	<b>8,344,117</b>

#### Waste water management

Current (0 -30 days)	4,181,722	3,747,894
31 - 60 days	529,720	517,837
61 - 90 days	306,001	320,442
91 - 120 days	240,955	262,135
121 - 150 days	219,860	217,486
> 150 days	3,455,646	3,262,500
Allowance for impairment	(3,434,987)	(2,509,763)
	<b>5,498,917</b>	<b>5,818,531</b>

#### Waste management

Current (0 -30 days)	4,488,547	3,924,197
31 - 60 days	664,892	464,877
61 - 90 days	363,907	244,977
91 - 120 days	250,982	199,111
121 - 150 days	221,768	167,809
> 150 days	2,654,136	2,177,887
Allowance for impairment	(3,057,837)	(2,163,376)
	<b>5,586,395</b>	<b>5,015,482</b>

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By  
2018-11-30  
Auditor General South Africa  
Municipal Finance Officer



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Land sale debtors</b>		
31 - 60 days	767,553	47,544
61 - 90 days	1,623,175	1,954
91 - 120 days	1,699,085	1,540
121 - 150 days	5,367	8,497
Allowance for impairment	(426,770)	(17,941)
	<b>3,668,410</b>	<b>41,594</b>
<b>Merchandising, jobbing and contracts</b>		
Current (0 -30 days)	1,557,366	5,189,217
31 - 60 days	661,679	739,000
61 - 90 days	365,495	489,988
91 - 120 days	284,165	423,258
121 - 150 days	189,366	559,468
> 150 days	11,561,575	4,931,050
Allowance for impairment	(5,103,190)	(3,716,289)
	<b>9,516,456</b>	<b>8,615,692</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(21,102,082)	(15,698,565)
Contributions to allowance	(7,651,056)	(8,179,920)
Debt impairment written off against allowance	-	2,776,403
	<b>(28,753,138)</b>	<b>(21,102,082)</b>

### Receivables pledged as security

No receivables from exchange transactions were pledged as security.

## 10. Investments

<b>At amortised cost</b>		
ABSA Bank	169,711,000	108,000,000
First National Bank	84,000,000	72,000,000
Investec Bank	84,000,000	72,000,000
Nedbank	126,000,000	108,000,000
Standard Bank	84,000,000	72,000,000
Investec Call Account	50,000,000	50,000,000
	<b>597,711,000</b>	<b>482,000,000</b>

## 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	Audited By	42,380	42,380
Bank balances		73,028,289	83,859,199
		<b>73,070,669</b>	<b>83,901,579</b>

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2018-11-20  
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Western Cape Region Office

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

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### 11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
ABSA Bank (Nelspruit)-cheque account 1040-000-077	77,570,246	68,026,305	72,632,713	34,472,008	51,852,101	54,493,222
ABSA Bank (Nelspruit)-cheque account 4078-303-563	38,177,403	32,119,664	25,274,564	38,556,280	32,007,098	25,927,640
<b>Total</b>	<b>115,747,649</b>	<b>100,145,969</b>	<b>97,907,277</b>	<b>73,028,288</b>	<b>83,859,199</b>	<b>80,420,862</b>

### 12. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Property - Land	25,895,021	-	25,895,021	26,006,538	-	26,006,538

#### Reconciliation of investment property - 2018

	Opening balance	Disposals	Total
Property - Land	26,006,538	(111,517)	25,895,021

#### Reconciliation of investment property - 2017

	Opening balance	Transfers from inventory	Total
Property - Land	25,950,913	55,625	26,006,538

#### Pledged as security

None of the above investment property has been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

There is no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	15,690,259	15,239,388
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## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

Figures in Rand

#### 13. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	261,325,626	(111,789,096)	149,536,530	261,710,558	(110,185,960)	151,524,598
Community	834,600,324	(265,820,288)	568,780,036	827,360,498	(265,725,935)	561,634,563
Infrastructure	7,117,822,758	(2,820,995,882)	4,296,826,876	6,948,975,129	(2,751,491,122)	4,197,484,007
Land	1,168,235,500	-	1,168,235,500	1,175,834,889	-	1,175,834,889
Other property, plant and equipment	320,816,250	(173,554,699)	147,261,551	334,584,898	(192,099,623)	142,485,275
<b>Total</b>	<b>9,702,800,458</b>	<b>(3,372,159,965)</b>	<b>6,330,640,493</b>	<b>9,548,465,972</b>	<b>(3,319,502,640)</b>	<b>6,228,963,332</b>

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2018 -11- 30  
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Municipal Audit Unit

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

Figures in Rand

#### 13. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	151,524,598	4,443,605	(178,176)	-	(6,122,245)	(131,252)	149,536,530
Community	561,634,563	24,300,337	(744,634)	-	(16,400,747)	(9,483)	568,780,036
Infrastructure	4,197,484,006	206,032,627	-	-	(106,689,757)	-	4,296,826,876
Land	1,175,834,889	864,382	(5,413,054)	(3,050,717)	-	-	1,168,235,500
Other property, plant and equipment	142,485,275	27,780,624	(1,682,918)	-	(20,903,939)	(417,491)	147,261,551
	6,228,963,331	263,421,575	(8,018,782)	(3,050,717)	(150,116,688)	(558,226)	6,330,640,493

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers to/from inventory	Depreciation	Impairment loss	Total
Buildings	157,395,801	2,999,422	(2,340,216)	-	(6,244,746)	(285,662)	151,524,599
Community	561,223,293	18,380,339	-	-	(17,083,684)	(885,384)	561,634,564
Infrastructure	4,091,751,031	222,042,922	(139,196)	-	(112,495,050)	(3,675,700)	4,197,484,007
Land	1,144,227,830	36,380,349	(1,277,750)	(3,495,540)	-	-	1,175,834,889
Other property, plant and equipment	115,741,059	46,551,003	(110,346)	-	(17,354,287)	(2,342,154)	142,485,275
	6,070,339,014	326,354,035	(3,667,508)	(3,495,540)	(153,177,767)	(7,188,900)	6,228,963,334

#### Pledged as security

None of the above property, plant and equipment have been pledged as security.

#### Assets subject to finance lease (net carrying amount)

Buildings	691,920	716,565
Other property, plant and equipment	4,240,084	5,479,179
	4,932,004	6,195,744

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 13. Property, plant and equipment (continued)

#### Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Other property, plant and equipment	31,661,136	31,656,156
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#### Reconciliation of Work-in-Progress (For future use) 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	105,870,427	1,604,338	4,485,645	111,960,410
Additions/capital expenditure	61,824,228	1,191,800	5,466,784	68,482,812
Transferred to completed items	(43,185,886)	(205,138)	(774,976)	(44,166,000)
	<b>124,508,769</b>	<b>2,591,000</b>	<b>9,177,453</b>	<b>136,277,222</b>

#### Reconciliation of Work-in-Progress (For future use) 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	92,585,462	971,030	5,611,211	99,167,703
Additions/capital expenditure	59,603,735	1,005,138	1,889,746	62,498,619
Transferred to completed items	(46,318,770)	(371,830)	(3,015,312)	(49,705,912)
	<b>105,870,427</b>	<b>1,604,338</b>	<b>4,485,645</b>	<b>111,960,410</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	59,185,434	14,100,303
Sale of goods/Inventory	5,927,266	13,235,503
General expenses	1,584,999	42,583,132
Outsourced services	8,574,139	-
	<b>75,271,838</b>	<b>69,918,938</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 14. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14,837,592	(6,806,530)	8,031,062	16,014,512	(8,640,436)	7,374,076

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software	7,374,076	1,864,476	(5,145)	(748,797)	(453,549)	8,031,061

## Annual Financial Statements for the year ended June 30, 2018

Figures in Rand	2018	2017
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#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	1,265,773	6,488,478	(380,175)	7,374,076

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

<b>Minimum lease payments due</b>		
- within one year	1,597,980	1,597,980
- in second to fifth year inclusive	3,862,748	5,459,765
	<hr/>	<hr/>
	5,460,728	7,057,745
less: future finance charges	(888,916)	(1,429,669)
<b>Present value of minimum lease payments</b>	<hr/>	<hr/>
	4,571,812	5,628,076

<b>Present value of minimum lease payments due</b>		
- within one year	1,173,341	1,056,937
- in second to fifth year inclusive	3,398,471	4,571,138
	<b>4,571,812</b>	<b>5,628,075</b>

Non-current liabilities	3,398,471	4,571,138
Current liabilities	1,173,341	1,056,937
	<b>4,571,812</b>	<b>5,628,075</b>

It is the municipality policy to lease photocopiers under finance leases. During the period under review the municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

Accrued audit fees		-	(5)
Trade payables		78,340,479	93,051,892
Consumer receivables paid in advance		18,601,577	6,973,540
Unallocated deposits		4,125,381	-
Pre-paid meter sales in advance		4,724,477	5,276,200
Retentions payable		25,707,675	28,718,282
Staff leave		29,437,659	27,040,024
Sundry receivables paid in advance		73,188	727,537
Third party pre-paid sales in advance		6,155,200	6,579,262
		<b>167,165,636</b>	<b>168,366,732</b>

**And Our General South Africa**  
We will have a new day.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 17. Taxes and transfers payable (non-exchange)

Housing accreditation grant	498,498	1,043,289
Other government grants	-	272,209
Department of Human Settlement	785,908	785,908
	<b>1,284,406</b>	<b>2,101,406</b>

### 18. Deposits

Electricity and water	70,117,952	67,036,745
Sundry	22,382,419	22,221,012
	<b>92,500,371</b>	<b>89,257,757</b>

No interest is paid on deposits.

Guarantees hold in lieu of electricity and water deposits for 2018: R7 395 639 (2017: R7 395 639).

Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated receipts.

### 19. Employee benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependants will continue to receive either a 60% or 70% subsidy depending on when they retired. This subsidy is subject to the maximum amount of R4 218.17 (per month per member) for the period from 1 July 2017 to 30 June 2018.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation	(91,629,887)	(90,849,060)
Non-current liabilities	(88,453,191)	(87,625,060)
Current liabilities	(3,176,696)	(3,224,000)
	<b>(91,629,887)</b>	<b>(90,849,060)</b>

Changes in the present value of the employee benefit obligation are as follows:

Opening balance	90,849,058	83,610,780
Net expense recognised in the statement of financial performance	780,827	7,238,278
	<b>91,629,885</b>	<b>90,849,058</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>19. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	5,470,000	4,951,442
Interest cost	8,879,000	7,711,079
Actuarial (gains) losses	(9,891,565)	(2,264,391)
Settlement	(3,676,608)	(3,159,852)
	<b>780,827</b>	<b>7,238,278</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.60 %	9.66 %
Net-of-maximum-subsidy-inflation discount rate	5.24 %	4.92 %
Maximum subsidy inflation rate	4.15 %	4.52 %
Medical cost trend rates	7.41 %	8.03 %
Net effective discount rate	2.04 %	1.50 %
Average retirement age	63	63
Pre-retirement mortality (SA)	85	85
Post-retirement mortality (PA)	90	90

### Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Healthcare inflation - effect on the aggregate of the service cost and interest cost	14,618,200	12,893,600
Healthcare inflation - effect on defined benefit obligation	95,684,000	85,889,000
Discount rate - effect on the aggregate of the service cost and interest cost	12,652,000	15,475,200
Discount rate - effect on defined benefit obligation	79,793,000	106,422,000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Post-retirement medical aid benefit	91,629,886	90,849,059	83,610,780	73,395,987	70,425,000

### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits. During the year the contributions expensed for the year amounted to R46 143 946 (2017: R45 895 937).

### 20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Informal housing grant (RDP)	1,993,207	1,993,207
Expanded Public Works Programme	-	33,416
	<b>1,993,207</b>	<b>2,026,623</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

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### 20. Unspent conditional grants and receipts (continued)

See note 29 for reconciliation of grants from National/Provincial Government.

### 21. Provisions

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Landfill rehabilitation	25,247,871	2,779,447	-	28,027,318
Performance bonus	1,138,300	1,013,328	-	2,151,628
Church erven	250,039	78,947	(162,320)	166,666
	<b>26,636,210</b>	<b>3,871,722</b>	<b>(162,320)</b>	<b>30,345,612</b>

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	18,604,697	6,643,174	-	25,247,871
Performance bonus	1,031,576	1,138,299	(1,031,575)	1,138,300
Church erven	497,010	87,719	(334,690)	250,039
	<b>20,133,283</b>	<b>7,869,192</b>	<b>(1,366,265)</b>	<b>26,636,210</b>

Non-current liabilities	28,193,984	25,000,895
Current liabilities	2,151,628	1,635,315
	<b>30,345,612</b>	<b>26,636,210</b>

#### Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is the Middelburg landfill site. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Professions as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers.

Key financial assumptions used in this calculation were a CPI of 4.4805%, a discount rate of 7.4805% and therefore a net effective discount rate of 3%.

The 2018 discounted value of the landfill closure provision of R28 027 317 represents an increase of R2 779 447 compared to the provision of R25 247 870 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R2 054 470.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2018. The size of the Middelburg landfill site used up until now is approximately 89.79 ha. The remaining life of the landfill is estimated at 7 years.

#### Performance bonus

The provision is to provide for performance bonuses of the section 57 employees and other senior managers where applicable.

The provision is calculated at 14% of the total remuneration in terms of the performance agreements at reporting date which is usually within one year.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 21. Provisions (continued)

#### Church erven

The provision on church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at reporting date.

### 22. Long service award

Long service benefits are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2018.

#### Changes in the present value of the long service liability is:

Opening balance	18,594,629	17,689,533
Current service cost	1,671,000	2,019,044
Interest cost	1,957,000	1,541,473
Benefits vested	(3,891,495)	(1,540,021)
Actuarial (gain)/loss	1,958,456	(1,115,400)
	<b>20,289,590</b>	<b>18,594,629</b>
Current liability	1,931,022	1,651,000
Non-current liability	18,358,568	16,943,629
	<b>20,289,590</b>	<b>18,594,629</b>

	2018	2017	2016	2015	2014
Defined benefit obligation	20,289,590	18,594,629	17,689,533	15,665,416	16,746,000

#### Assumptions used at the reporting date:

Discount rates used	8.64 %	8.92 %
Normal salary increase rate	6.23 %	6.72 %
Net discount rate	2.27 %	2.05 %

### 23. Long term liabilities

#### At amortised cost

Infrastructure Finance Corporation	14,486,874	17,343,026
Interest at 9.59% redeemable on 30/06/2022		
Infrastructure Finance Corporation	17,164,074	19,763,484
Interest at 9.29% redeemable on 30/06/2023		
Infrastructure Finance Corporation	19,598,793	21,977,314
Interest at 9.02% redeemable on 30/06/2024		
ABSA	127,711,000	-
Interest at 9.42% redeemable on 30/06/2033		
First National Bank	4,073,614	7,682,075
Interest at 12.50% redeemable on 30/06/2019		
<b>Total other financial liabilities</b>	<b>183,034,355</b>	<b>66,765,899</b>
<b>Non-current liabilities</b>		
At amortised cost	166,206,516	55,323,356
<b>Current liabilities</b>		
At amortised cost	16,827,840	11,442,543

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

	2018	2017
<b>24. Service charges</b>		
Electricity	524,363,376	533,765,306
Water	82,509,441	77,150,595
Waste water management	63,353,100	55,764,181
Waste management	68,790,473	63,186,199
	<b>739,016,390</b>	<b>729,866,281</b>
<b>25. Operating Income</b>		
Administration fees	2,405,228	2,511,020
Breakages and losses recovered	27,383	3,999
Bursary repayment	80,570	-
Collection charges	1,292,980	1,405,299
Discounts and Early Settlements	16,179	41,739
Incidental cash surpluses	70,431	20,118
Insurance claims	506,655	1,264,458
Merchandising jobbing and contracts	8,337,435	2,186,547
Registration fee	294,522	239,931
Sale of erven	45,171,857	4,568,381
Request information	150,976	138,670
Skills development fund refund	648,224	308,085
Staff recoveries	16,757	-
	<b>59,019,197</b>	<b>12,688,247</b>
<b>26. Investment revenue</b>		
<b>Investment revenue</b>		
Bank	19,203,883	16,179,375
Short term investments	27,845,435	31,688,511
	<b>47,049,318</b>	<b>47,867,886</b>

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2018-11-30  
Auditor General South Africa  
Municipal Finance and Administration

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>27. Property rates</b>		
<b>Rates received</b>		
Commercial	72,346,694	132,734,387
Government	17,566,744	17,508,813
Privately owned towns	623,563	959,528
Residential	189,450,548	177,162,668
Small holdings and farms	6,751,349	-
Mining	187,784	-
Industrial	61,631,637	-
Multiple purposes	4,334,981	-
Other	5,888,633	-
Less: Income forgone	(26,012,827)	(18,611,768)
	<b>332,769,106</b>	<b>309,753,628</b>

### Valuations

Commercial	2,277,717,000	2,292,261,700
Government	1,067,218,000	983,005,000
Privately owned towns	52,237,000	178,996,000
Residential	7,954,885,600	5,783,300,183
Other	2,631,948,450	4,950,238,750
Farm properties	1,593,340,000	1,769,730,000
Industrial properties	2,457,189,200	2,434,434,200
Mining properties	4,780,300	10,627,300
Public benefit organisations	298,463,700	77,805,700
Multiple purposes	443,714,500	-
	<b>28,781,493,750</b>	<b>28,480,398,833</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2018.

A general rate of R0,12 (2017: R0,12) is applied to property valuations to determine assessment rates.

### 28. Transfers and subsidies paid

Business linkage centre	300,000	320,000
Forever resorts marathon	45,000	40,000
Bereavement assistance employee	64,386	60,000
Rotary, schools and other	160,000	303,000
Society for the prevention of cruelty to animals (SPCA)	850,000	750,000
Tourism information centre	400,000	350,000
	<b>1,819,386</b>	<b>1,823,000</b>

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2018-11-30  
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# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 29. Transfers and subsidies

Equitable share	156,758,162	136,037,000
Expanded public works programme	1,500,358	966,614
Finance management grant	1,700,000	1,625,000
Housing accreditation grant	214,291	87,458
Greenest municipality competition	72,000	-
Mining companies	14,912	-
Municipal support and governance	151,200	-
Municipal infrastructure grant	2,022,280	2,406,989
<b>Operating: monetary allocations</b>		
	<b>162,433,203</b>	<b>141,123,061</b>

<b>Capital: monetary allocations</b>		
Expanded public works programme	3,769,642	1,102,970
Housing accreditation grant	330,500	100,000
Greenest municipality competition	128,700	-
Integrated national electrification grant (INEP)	-	3,351,698
Municipal infrastructure grant	48,534,720	45,050,011
	<b>52,763,562</b>	<b>49,604,679</b>
	<b>215,196,765</b>	<b>190,727,740</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### National Government: Local Finance management grant (FMG)

Current-year receipts	1,700,000	1,625,000
Conditions met - transferred to revenue	(1,700,000)	(1,625,000)

The purpose of this grant is to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 and to fund the internship programme.

### National Government: Municipal Human Settlement Capacity

Balance unspent at the beginning of the year	785,908	785,908
Unspent amount - Transferred to liabilities	(785,908)	(785,908)

Conditions still to be met - remain liabilities (see note 20).

### Greenest Municipality Competition

Current-year receipts	300,000	-
Conditions met - transferred to revenue	(200,700)	-
Unspent amount - Transferred to liabilities	(99,300)	-

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information:

### Municipal infrastructure grant (MIG)

Current-year receipts	50,557,000	47,457,000
Conditions met - transferred to revenue	(50,557,000)	(47,457,000)

The purpose of this grant is to construct basic municipal infrastructure to provide basic services for the benefit of poor households.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 29. Transfers and subsidies (continued)

#### National Government: Integrated national electrification programme (INEP)

Balance unspent at beginning of year	-	3,351,698
Conditions met - transferred to revenue	-	(3,351,698)
	-	-

This grant is used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were met and no funds have been withheld.

#### Provincial Government: RDP housing grant

Balance unspent at beginning of year	1,993,207	1,993,207
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Conditions still to be met - remain liabilities (see note 20).

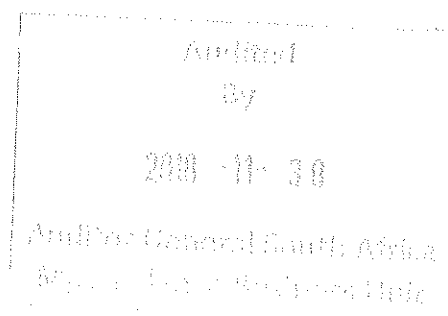
The purpose of the grant was to provide funding to build capacity to implement level 2 housing accreditation.

#### Expanded public works programme (EPWP)

Balance unspent at the beginning of the year	33,416	-
Current year receipts	5,270,000	2,103,000
Conditions met - transferred to revenue	(5,270,000)	(2,069,584)
Paid back to National Treasury	(33,416)	-
Unspent amount - Transferred to Liabilities	-	(33,416)

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to effect a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people.



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 30. Public contributions and donations

Developer donations	-	3,958,203
Glencore Mine	-	18,000
Government donations	-	34,620,000
Nkangala district municipality	-	39,526,644
Donation Mafube Colliery	-	3,414,938
Arbour city award	-	250,000
BHP Billiton - donation of open space	-	311,000
	-	<b>82,098,785</b>

#### Major classes: Capital

Computers - hardware equipment	-	758,000
Infrastructure - electricity	-	2,607,135
Infrastructure - roads	-	5,114,917
Infrastructure - sanitation	-	14,175,001
Infrastructure - water	-	14,986,726
Other land	-	36,282,068
Specialised vehicles - refuse	-	4,500,000
Community halls	-	3,414,938
	-	<b>81,838,785</b>

#### Major classes: Operational

Youth Function	-	10,000
Greening of environment	-	250,000
	-	<b>260,000</b>

Audited  
 By  
 2018-11-30  
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# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>31. Employee related costs</b>		
Travel and motor vehicle allowances	13,653,351	11,604,783
Cellphone allowances	713,880	663,042
Group insurance	1,468,926	1,264,016
Housing benefits and allowances	4,626,105	4,579,148
Leave pay provision charge	6,147,435	3,017,947
Medical aid - company contributions	24,324,870	21,831,390
Overtime and standby allowances	74,901,471	74,400,890
Pension fund	49,716,689	45,895,937
Employee benefits	8,086,892	11,301,735
Salaries	282,029,554	257,584,918
Unemployment insurance fund contributions	2,465,156	2,366,188
	<b>468,134,329</b>	<b>434,509,994</b>

### Acting Municipal Manager: B Khenisa

Annual remuneration	994,349	1,353,321
Cellphone allowance	-	26,411
Contributions to UIF, medical and pension funds	893	28,423
Performance bonus	225,617	-
Travel allowance	60,000	132,000
Other	-	4,747
	<b>1,280,859</b>	<b>1,544,902</b>

Appointed 1 November 2017 until 30 September 2018.

### Deputy Municipal Manager: SM Mnguni

Annual remuneration	692,309	-
Cellphone allowance	15,627	-
Contributions to UIF, medical and pension funds	21,436	-
Performance bonus	186,559	-
Travel allowance	78,100	-
	<b>994,031</b>	<b>-</b>

Appointed 01 March 2013 until 2 February 2018 (acting as municipal manager from 1 February 2015 until 1 November 2017).

### Executive Director Finance Services: E Wassermann

Annual remuneration	1,120,027	1,038,794
Cellphone allowance	4,400	26,404
Contributions to UIF, medical and pension funds	64,260	78,309
Performance bonus	287,686	-
Travel allowance	116,038	108,000
Other	-	4,923
	<b>1,592,411</b>	<b>1,256,430</b>

Appointed from 1 September 2017 until 31 August 2022.

### Executive Manager Community Services: MC Hlatshwayo

Annual remuneration	1,121,210	1,074,468
Cellphone allowance	26,411	26,411
Contributions to UIF, medical and pension funds	37,223	30,725
Performance bonus	281,270	-
Travel allowance	126,230	120,000
Other	-	4,833



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 31. Employee related costs (continued)

1,592,344

1,256,437

Appointed from 01 March 2013 until 30 June 2018.

#### Executive Manager Infrastructure Services: TM Lelaka

Annual remuneration	439,504	-
Contributions to UIF, medical and pension funds	84,531	-
Performance bonus	184,441	-
Travel allowance	80,725	-
	<b>789,201</b>	<b>-</b>

Employment started 1 September 2017 until 30 June 2018.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council's determinations.

#### Acting Executive Manager Corporate Services: S Mothiba

Performance Bonuses	136,329	-
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### 32. Remuneration of councillors

Chief whip	664,211	676,276
Councillors	15,697,822	13,840,366
Executive mayor	836,696	804,685
Mayoral committee members	3,986,766	3,683,600
Speaker	705,529	583,922
	<b>21,891,024</b>	<b>19,588,849</b>

#### Councillors remuneration is made up of the following:

Councillors remuneration	15,557,118	12,319,253
Cell phone and other allowances	2,567,741	1,539,955
Medical aid contributions	425,976	393,922
Pension contributions	1,565,699	1,149,184
Travel allowance	1,774,489	4,186,535
	<b>21,891,023</b>	<b>19,588,849</b>

#### In-kind benefits

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council. The executive mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

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Municipality of Steve Tshwete

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 32. Remuneration of councillors (continued)

2018	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor MAS Masina	508,948	-	57,912	52,951	33,300	653,111
Executive Mayor BJ Tolo	173,070	-	-	-	10,516	183,586
Speaker AM Mabena	429,474	151,508	60,234	19,913	44,400	705,529
Chief whip SD Nkadimeng	395,962	142,040	55,292	26,517	44,400	664,211
	<b>1,507,454</b>	<b>293,548</b>	<b>173,438</b>	<b>99,381</b>	<b>132,616</b>	<b>2,206,437</b>

Mayoral committee	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr DJ Motsepe	529,371	-	65,390	25,050	44,400	664,211
Cllr M I Kgalema	414,488	129,127	56,283	19,913	44,400	664,211
Cllr J M Mitchell	468,991	-	56,207	30,468	40,700	596,366
Cllr J Matshiane	401,576	142,040	56,283	19,913	44,400	664,212
Cllr MTE Mnguni	528,124	-	65,170	26,517	44,400	664,211
Cllr S M Malepeng	418,502	142,040	59,269	-	44,400	664,211
Cllr N C Mkhuma	42,447	12,913	8,032	2,253	3,700	69,345
	<b>2,803,499</b>	<b>426,120</b>	<b>366,634</b>	<b>124,114</b>	<b>266,400</b>	<b>3,986,767</b>

Part time councillors	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr T P Mnisi	232,352	-	29,177	-	44,400	305,929
Cllr A B Marumo	261,529	-	-	-	44,400	305,929
Cllr GHE Romijn	196,147	65,382	-	-	44,400	305,929
Cllr TN Van Zyl	261,529	-	-	-	44,400	305,929
Cllr MN Mathibela	232,352	-	29,177	-	44,400	305,929
Cllr T S Motloung	232,352	-	29,177	-	44,400	305,929
Cllr N M Hadebe	175,306	65,382	20,841	-	44,400	305,929
Cllr PN Sithole	29,523	11,051	-	5,066	4,730	50,370
Cllr L K Mahlangu	232,352	-	29,177	-	44,400	305,929
Cllr E Du Toit	232,352	-	29,177	-	44,400	305,929
Cllr J P Pretorius	171,138	65,382	25,009	-	44,400	305,929
Cllr DJ Skhosana	232,352	-	29,177	-	44,400	305,929
Cllr R G Mamogale	217,370	-	26,533	17,626	44,400	305,929
Cllr D L Paul	232,352	-	29,177	-	44,400	305,929
Cllr K P J Uys	232,352	-	29,177	-	44,400	305,929
Cllr AS Grobler	171,138	65,382	25,009	-	44,400	305,929
Cllr T E Motsepe	232,352	-	29,177	-	44,400	305,929
Cllr M Mbatiwe	217,537	-	30,254	19,913	44,400	312,104
Cllr J Skosana	261,529	-	-	-	44,400	305,929
Cllr H F Niemann	171,138	65,382	25,009	-	44,400	305,929
Cllr A O Thabatha	170,534	-	22,925	-	32,795	226,254
Cllr S J Roos	196,147	65,382	-	-	44,400	305,929
Cllr D A Stuurman	261,529	-	-	-	44,400	305,929
Cllr E M Bruiners	261,529	-	-	-	44,400	305,929
Cllr A Struwig	222,300	39,229	-	-	44,400	305,929
Cllr L J N Zondo	225,079	-	27,893	8,557	44,400	305,929
Cllr H G De Klerk	173,096	65,382	-	23,051	44,400	305,929
Cllr T P Motau	187,484	49,037	25,009	-	44,400	305,930
Cllr S Wait	196,147	65,382	-	-	44,400	305,929
Cllr K J Phasha	232,352	-	29,177	-	44,400	305,929
Cllr A M Mahlangu	232,352	-	29,177	-	44,400	305,929

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

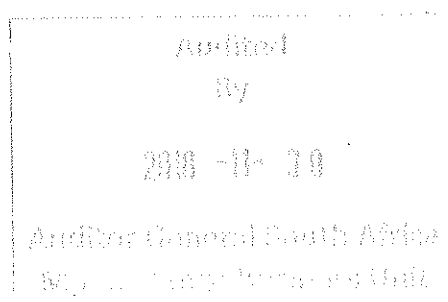
## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>32. Remuneration of councillors (continued)</b>		
Cllr J Dyason	261,529	-
Cllr S M Mogola	241,616	-
Cllr L C Masemula	261,529	-
Cllr P R Mailola	176,587	59,934
Cllr M C Mosoma	171,138	65,382
Cllr N J Mthombeni	171,138	65,382
Cllr M M Skhosana	240,688	-
Cllr E Sebesho	171,138	65,382
Cllr P Mobango	209,889	21,794
Cllr J P Duvenage	171,138	65,382
Cllr A Mangcotywa	232,352	-
	<b>8,892,343</b>	<b>965,629</b>
	<b>724,492</b>	<b>123,972</b>
	<b>1,813,525</b>	<b>12,519,961</b>

Chairpersons	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr R M Xaba	306,475	89,188	46,086	33,122	44,400	519,271
Cllr T R Vilakazi	298,186	-	37,444	-	44,400	380,030
Cllr P M Masilela	281,260	-	34,457	19,913	44,400	380,030
Cllr T N Morufane	298,186	-	37,444	-	44,400	380,030
Cllr M Masina	298,186	-	37,444	-	44,400	380,030
Cllr M Mphego	298,186	-	37,444	-	44,400	380,030
Cllr M J Sekgwele	298,186	-	37,444	-	44,400	380,030
Cllr N C Mkhuma	253,159	-	30,238	22,646	40,700	346,743
Cllr J M Mitchell	21,998	-	3,142	2,829	3,700	31,669
	<b>2,353,822</b>	<b>89,188</b>	<b>301,143</b>	<b>78,510</b>	<b>355,200</b>	<b>3,177,863</b>

### 33. Depreciation and amortisation

Property, plant and equipment	150,078,790	153,557,943
Intangible assets	748,797	380,175
	<b>150,827,587</b>	<b>153,938,118</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30; 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 34. Impairment of assets

#### Impairments

Property, plant and equipment	558,226	7,188,900
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount.		
Intangible assets	453,549	-
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0.		
Trade and other receivables	18,053,199	29,180,141
Accounts receivable with the following indicators were assessed for impairment. Receivable in liquidation / sequestration, last payment received was over 60 days from reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90day and longer outstanding.		
	19,064,974	36,369,041

#### Reversal of impairments

Other receivables from non-exchange revenue	(2,147,961)	-
Accounts receivable from traffic fines were assessed for impairment. The assessment were based on the past years payment rate and traffic fines older than 12 months. Bad debts were written off for traffic fines older than 3 years, which resulted in a impairment reversal.		
<b>Total impairment losses (recognised) reversed</b>	<b>16,917,013</b>	<b>36,369,041</b>

### 35. Finance costs

Annuity loans	6,141,895	7,249,011
Finance leases	541,069	368,260
Landfill site	2,054,470	1,573,288
Interest cost: actuarial valuation	1,957,000	1,541,473
	<b>10,694,434</b>	<b>10,732,032</b>

Total interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 13% (2017: 9% to 13%).

### 36. Bulk purchases

Electricity	402,962,285	397,799,025
Water	17,194,312	12,954,800
	<b>420,156,597</b>	<b>410,753,825</b>
<b>2018</b>	<i>Audited</i>	% loss
Electricity	By	8.63 %
Water		19.34 %
<b>2017</b>	<i>Audited</i>	% loss
Electricity		10.35 %
Water		25.83 %

## Annual Financial Statements for the year ended June 30, 2018

### Figures in Rand

### 38. Operational costs

### 39. Auditors' remuneration

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Ms. J. M. M. M. M. M.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>40. Cash generated from operations</b>		
Surplus	95,373,477	145,550,138
<b>Adjustments for:</b>		
Depreciation and amortisation	150,865,485	153,557,943
Gain on sale of assets and liabilities	10,562,861	894,747
Inventory write down	1,536,699	30,085
Provision - landfill site and other	724,977	4,822,915
Impairment deficit	16,916,908	36,349,041
Bad debts written off	16,877,648	-
Interest cost: Actural	12,890,470	10,825,840
Movements in retirement benefit assets and liabilities	(8,098,173)	(472,800)
Provision - long service	(262,039)	(636,377)
Public donations	-	(82,098,786)
Movement in operating lease asset	(1,268,225)	2,030,832
Other non-cash items	929,974	100,727
<b>Changes in working capital:</b>		
Inventories	5,031,067	4,340,928
Other receivables from exchange transactions	(3,388,268)	(3,270,394)
Long term receivables	26,293	25,270
Receivables from non-exchange transactions	(12,764,056)	(15,399,556)
Receivables from exchange	2,514,752	(12,459,426)
Payables from exchange transactions	(817,000)	(4,695,104)
VAT	(31,139,587)	(371,411)
Payables from non-exchange transactions	(1,201,096)	9,959,969
Unspent conditional grants and receipts	(33,416)	(3,318,282)
Consumer deposits	2,102,614	7,311,615
	<b>257,381,365</b>	<b>253,077,914</b>

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 Account of the Auditor General

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 41. Financial instruments disclosure

#### Categories of financial instruments

#### 2018

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	24,934,082	24,934,082
Receivables from exchange transactions	38,756,390	38,756,390
Cash and cash equivalents	73,070,669	73,070,669
Deposit	2,273,307	2,273,307
Receivables from non-exchange transactions	28,783,534	28,783,534
Investments	597,711,000	597,711,000
Long term receivables	11,364	11,364
	<b>765,540,346</b>	<b>765,540,346</b>

#### Financial liabilities

	At amortised cost	Total
Finance lease obligation	4,571,812	4,571,812
Unspent Conditional Grants	3,277,613	3,277,613
Long service award	20,289,590	20,289,590
Payables from non-exchange transactions	1,284,406	1,284,406
Payables from exchange transactions	167,165,636	167,165,636
Consumer deposits	92,571,159	92,571,159
Long term Liabilities	183,034,355	183,034,355
	<b>472,194,571</b>	<b>472,194,571</b>

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# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### Financial instruments disclosure (continued)

2017

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	27,702,205	27,702,205
Receivables from exchange transactions	48,922,198	48,922,198
Cash and cash equivalents	83,901,579	83,901,579
Deposits	1,133,307	1,133,307
Other receivables from non-exchange transactions	34,994,812	34,994,812
Investments	482,000,000	482,000,000
Long term receivables	37,657	37,657
	<b>678,691,758</b>	<b>678,691,758</b>

#### Financial liabilities

	At amortised cost	Total
Finance lease obligation	5,628,075	5,628,075
Unspent Conditional Grants	2,026,623	2,026,623
Long service awards	18,594,629	18,594,629
Payables from non-exchange transactions	2,101,406	2,101,406
Consumer deposits	89,257,757	89,257,757
Long Term Liability	66,765,899	66,765,899
Payables from exchange transactions	168,366,732	168,366,732
	<b>352,741,121</b>	<b>352,741,121</b>

### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Community assets	24,529,342	9,804,277
• Infrastructure	58,510,583	42,374,979
• Intangible assets	4,137,373	540,104
• Machinery and Equipment	3,081,615	-
• Other assets	1,036,966	8,247,478
• Transport assets	345,301	-
• Specialised vehicles	-	1,738,082
• Land and buildings	43,372	1,304,092
	<b>91,684,552</b>	<b>64,009,012</b>

#### Total commitments

#### Total commitments

Authorised capital expenditure	91,684,551	64,009,012
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#### This expenditure will be financed from:

Capital replacement reserve	32,378,177	22,353,454
External loans	35,307,788	30,903,143
Government grants	23,998,586	10,752,415
	<b>91,684,551</b>	<b>64,009,012</b>



# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

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### 43. Contingencies

1. MM Selela on behalf of Phillip Selela - claim in the amount of R175 000 for damages against the municipality for the injury to his child as a result of loose paving
2. TAC Wesson - claim in the amount of R100 000 for unlawful arrest in a traffic related incident.
3. HE Scheepers – claim in the amount of R300 000 for unlawful arrest in a traffic related incident. Mr Scheepers' attorney is awaiting outcome of criminal appeal before deciding whether to pursue with the civil claim against the municipality or not. Matter referred to council's insurance.
4. JB Mahlangu - claim in the amount of R50 000 wherein the fire department vehicle negligently collided with a minibus taxi. Matter referred to council's insurance.
5. F de Beer – claim in the amount of R13 690 instituted against the municipality for damage caused by a pothole to a motor vehicle on corner Cowen Ntuli and Walter Sisulu Street. Matter referred to council's insurance.
6. S van Zyl - claim in the amount of R200 000 for unlawful arrest in a traffic related incident. Matter is referred to council's insurance.
7. PW Botha and others - claim in the amount of R352 500 for unlawful arrest in a traffic related incident. Matter referred to council's insurance.
8. S van Vreden – claim in the amount of R1 343 102 for damages, pain and suffering and loss of income due to alleged negligence by the municipality.
9. C van Rensburg - claim in the amount of R100 000 for damages after a wheel dislodged from a vehicle which was driven by a council employee on 15 May 2008. Matter is referred to council's insurance.
11. B Chego - claim in the amount of R100 000 against the municipality for damage to a vehicle in an accident. Matter is defended by council's insurers.
12. CJ du Bruyn on behalf of V du Bruyn (minor) - claim in the amount of R250 273 against the municipality for negligence. Matter defended by council's insurers.
13. PB Siziba on behalf of PM Siziba (minor) - claim in the amount of R505 000 against the municipality for negligence. Matter is defended by council's insurers.
14. MP Kunneke - claim in the amount of R1 000 000 against the municipality for negligence. Matter is defended by council's insurers.
15. D Coetzee – claim in the amount of R250 000 against the municipality for unlawful arrest. Letter of demand referred to council's insurance.
16. JNH Grobler - claim in the amount of R430 518 against the municipality for unlawful arrest and damage to vehicle. Matter referred to council's insurers.
17. JM Ravele - claim in the amount of R89 508 against the municipality for negligence of failure to exercise due care towards the plaintiff. Matter referred to council's insurers.
18. NL Mogashoa – claim in the amount of R14 285 against the municipality for damage to vehicle as a result of collision with municipal vehicle. Matter referred to council's insurers.
19. E Booysen - claim in the amount of R1 000 000 against the municipality for negligence due to failure to put up a cul-de-sac sign.
20. Federale Stene – claim in the amount of R5 691 064 against the municipality for failure to rehabilitate the landfill site. Matter is defended by council's attorneys.
21. GM van Vuuren - claim in the amount of R2 150 for damages to motorcycle caused by broken glass left on the street. Matter referred to council's insurer.

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

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#### 43. Contingencies (continued)

22. Ms N Nkosi - claim in the amount of R73 750 for damages to property caused by a burst water pipe. Matter referred to council's insurer.

23. Mr R Sindane – claim in the amount of R20 000 for damages to property caused by a burst water pipe. Matter referred to council's insurer.

24. Ms M Hlatshwayo – claim in the amount of R20 000 for damages to property caused by a burst water pipe. Matter referred to council's insurer.

25. Ms DS Mphahlele – claim for damages to property caused by storm water. Matter referred to council's insurance. The amount is yet to be determined.

26. Mrs EQ Mohoto – claim in the amount of R6 000 against the municipality for injuries sustained after the third party fell in a hole while walking on a sidewalk. Matter is referred to council's insurance.

27. Mr RL Modishane – claim in the amount of R6 005 against the municipality for damages to electronic equipment caused by a power surge. Matter is referred to council's insurance.

28. Mr KM Skosana – claim in the amount of R200 000 against the municipality for being assaulted by the municipality's traffic officers. Matter is referred to council's insurance.

29. Telkom – claim in the amount of R30 050 against the municipality for damages caused to 12 fibre optic cables near Hendrina power station. Matter referred to council's insurance.

30. Mr M Mathunyane – claim in the amount of R19 904 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.

31. Mr MJ Letsoalo – claim in the amount of R118 095.86 against the municipality for damages to property caused by a burst water pipe. Matter referred to council's insurance.

32. Mr FJ Venter – claim in the amount of R20 006 against the municipality for damages to his vehicle after colliding with a vehicle belonging to the municipality. Matter is referred to council's insurance.

33. PW Saayman – claim in the amount of R5 023 against the municipality for the loss of a JoJo tank after it got burnt in a veldfire started by the municipality's fire fighters. Matter is referred to council's insurance.

34. Telkom SA SOC Ltd – claim in the amount of R21 532 against the municipality for damages caused to a Telkom manhole. Matter is referred to council's insurance.

35. NS Archer – claim in the amount of R2 148 against the municipality for food that got spoiled as a result of a 2 day long power outage. Matter is referred to council's insurance.

36. FK Mahlangu – claim in the amount of R4 104 against the municipality for injuries sustained and loss of his phone after falling into a hole on the sidewalk at Mankge Street. Matter is referred to council's insurance.

37. A Ntamele – claim in the amount of R400 000 against the municipality for being shot by a traffic officer for no reason. Matter referred to council's insurance.

38. AP Samasuwo – claim in the amount of R400 000 against the municipality for being shot by a traffic officer for no reason. Matter referred to council's insurance.

39. DJ Swanepoel and Associates (on behalf of Du Plessis) HBN 893 MP – claim in the amount of R14 229 against the municipality for damages caused to the third party vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.

40. TJ van Dyk – claim in the amount of R70 000 for unlawful arrest. Matter referred to council's insurance.

41. MP Naidoo – claim in the amount of R9 785 for damages to vehicle caused by pothole. Matter is referred to council's insurance.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 43. Contingencies (continued)

42. EJ Joubert – claim in the amount of R780 098 for damages to third party vehicle caused by a pothole. Matter referred to council's insurance.

43. MP Mahlangu – claim against the municipality for emotional shock caused from the wrongful arrest and assault of his father. The amount is yet to be determined. Matter referred to council's insurance.

44. KJ Mahlangu – claim against the municipality for unlawful arrest, assault, detention and prosecution. Amount is yet to be determined. Matter referred to council's insurance.

45. MX Masango – claim against the municipality for injuries sustained from playground equipment. Amount is yet to be determined. Matter referred to council's insurance.

46. S Mokwana – claim in the amount of R100 000 against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.

47. MP Mahlangu – claim against the municipality for misallocation of land. Amount is yet to be determined. Matter referred to council's insurance.

48. MM Eyssell – claim against the municipality for damages caused to property as a result of the blasting activity at Shanduka Graspan Colliery. Amount is yet to be determined. Matter referred to council's insurance.

49. Mr CH van Dyk – claim in the amount of R73 376 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.

50. Mrs L Mahlangu – claim against the municipality for damages to her vehicle after colliding with a pothole. Amount is yet to be determined. Matter referred to council's insurance.

51. Mr T Ngwenya – claim in the amount of R65 001 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

52. Elusindisweni Primary School – claim against the municipality for damage to property caused by the municipality's vehicle that drove through it. Amount is yet to be determined. Matter referred to council's insurance.

53. Mrs Blignaut – claim in the amount of R14 931 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.

54. Mr R Ramothibe – claim against the municipality for damages caused to property by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

55. Mrs S Mzotho – claim against the municipality for damage to electronic appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

56. M Maela – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

57. L Mosiane – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

58. M Sekhuto – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

59. Masilela and Mdluli – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined.

60. TM Mpila – claim against the municipality for damage to electrical appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

61. Mrs BK Mabuza – claim in the amount of R9 400 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

## Steve Tshwete Local Municipality

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### Notes to the Annual Financial Statements

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#### 43. Contingencies (continued)

62. Telkom Soc Ltd – claim in the amount of R7 591 against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.

63. Mr A Mathebula – claim against the municipality in the amount of R500 000 against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.

64. Camm Trans – claim against the municipality for loss of income. Amount is yet to be determined. Matter referred to council's insurance.

65. S Sibanyoni – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

66. Ekwazini Secondary School – claim against the municipality for damage to property caused by municipal employees. Amount is yet to be determined. Matter referred to council's insurance.

67. Mr P Maseko – claim in the amount of R1 000 for food that got spoilt as a result of a power outage. Matter referred to council's insurance.

68. Mr D Khumalo – claim in the amount of R13 493 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter referred to council's insurance.

69. Mrs B Nkwana – claim against the municipality for injuries suffered after the third party fell on a sidewalk. Amount is yet to be determined. Matter referred to council's insurance.

70. Mrs L Skosana – claim against the municipality for damages caused to third party vehicle after colliding with pothole. Amount is yet to be determined. Matter referred to council's insurance.

71. Mrs BS McPherson – claim against the municipality for damage caused to electrical appliances by a power outage. Amount is yet to be determined. Matter referred to council's insurance.

72. Mrs SL Maseko – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

73. AC Raynard – claim in the amount of R4 788 against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.

74. Midhend Investment CC – claim in the amount of R15 000 against the municipality for demolition of the third party's structure. Matter referred to council's insurance.

75. KJ Thubane – claim in the amount of R3 343 against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.

76. Ned Consortium – claim in the amount of R154 389 against the municipality for the illegal termination of a contract. Matter referred to council's insurance.

77. Mr and Mrs Vilane – claim in the amount of R81 754 against the municipality for damages of property caused by a water pipe that burst.

78. Mr and Mrs Letsoalo – claim in the amount of R102 225.91 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

79. SJ Mollentze – claim in the amount of R510 000 against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.

80. NS Mahlangu - claim in the amount of R46 500 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

81. ZL Maseko – claim against the municipality for damage to property caused by an electrical pole that fell on her house. Amount is yet to be determined. Matter referred to council's insurance.

# Steve Tshwete Local Municipality

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### 43. Contingencies (continued)

82. K Mabhoko – claim in the amount of R200 000 against the municipality for assault by traffic officers. Matter referred to council's insurance.

83. A. N Maseko – this is a claim against the municipality in the amount of R 3 400 for loss of cell phone after falling into a hole.

84. B.J Van Der Merwe – this is a claim against the municipality in the amount of R 980 for damage to vehicle caused by a pothole.

85. B Makhoba – this is a claim against the municipality in the amount of R 17 595 for damages to electrical appliances.

86. B Lummis – this is a claim against the municipality in the amount of R 15 518 for damage to vehicle caused by a pothole.

87. C.A Mphahlaza – this is a claim against the municipality for damages to property caused by a power cut. Amount is yet to be determined.

88. C. Badenhorst – this is a claim against the municipality in the amount of R 200 000 for wrongful arrest

89. C. Gatzonis – this is a claim against the municipality for injuries suffered after slipping and falling on the sidewalk.

90. Everest Funerals – this is a claim against the municipality in the amount of R 4 450 for damages to vehicle after colliding with Council's vehicle.

91. Extension 8 residents – this is a claim against the municipality for damage to electrical appliances caused by a surge in power. The amount of the claim is yet to be determined.

92. F. Mukiwe – this is a claim against the municipality in the amount of R 100 000 for unlawful demolition of structure.

93. S. Simelane – this is a claim against the municipality in the amount of R 11 105 for damage to vehicle after colliding with a pothole.

94. H. Mabuza – this is a claim against the municipality in the amount of R 16 999 for damage to electrical appliances caused by a surge in power

95. J.G Lubbe - this is a claim against the municipality in the amount of R 8 999 for damage to electrical appliances caused by a surge in power.

96. J.L Phokane – this is a claim against the municipality for a damaged boundary wall.

97. L Marcus – this is a claim against the municipality for damage to vehicle caused by a pothole.

98. L. Davis – this is a claim against the municipality in the amount of R 3 000 for damages to vehicle caused by a pothole.

99. L. Kriel – this a claim against the municipality in the amount of R 6 790 for damaged gate motor.

100. M M. Mndawe – this is a claim against the municipality for damaged electrical appliances.

101. M. Tshoma – this is a claim against the municipality for damage to property caused by a water pipe that burst.

102. Mayivuthe – this is a claim against the municipality in the amount of R 719 322 for a damaged surge arrestor machine.

103. N.S Smit – this is a claim against the municipality for damage to a vehicle by a pothole.

104. N.J Potgieter – this is claim against the municipality in the amount of R 396 500 for assault by traffic officials.

105. P.P Mahlangu – this is a claim against the municipality for damage to property caused by a burst pipe.

## Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

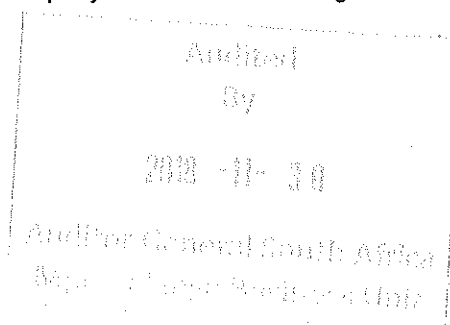
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#### 43. Contingencies (continued)

106. S. Sibanyoni – this is a claim against the municipality for damage to property caused by a burst pipe.
107. T.S Nkosi – this is a claim against the municipality for a house that burnt down as a result of an electricity box that exploded.
108. T. Vilakazi – this is a claim in the amount of R 29 706 for damages to a vehicle after colliding with Council's vehicle.
109. Middelburg Power Supplies - this is a claim against the municipality in the amount of R 657 540 for unpaid invoices.
110. J. Smit – this is a claim in the amount of R 5 083 against the municipality for damages to vehicle caused by a pothole..
111. Telkom (Wilge Street) – this is a claim in the amount of R 20 810 against the municipality for damages to infrastructure.
112. Telkom (Without Street) – this is a claim in the amount of R 18 360 against the municipality for damages to infrastructure.
113. Telkom (Witpeer street) - this is a claim in the amount of R 16 464 against the municipality for damages to infrastructure.
114. P. Mjadana – this is a claim in the amount of R 15 620 for damages to vehicle caused by a rock that was left on the road.
115. P.S Vermaak – this is a claim in the amount of R 10 377 for damages to vehicle caused by a pothole.
116. D. Tlou – this is a claim in the amount of R 8 245 for damages to vehicle caused by a pothole.
117. E. Mubwanda – this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.
118. E. Mokwana - this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.
119. M.C Mtsweni - this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.
120. S.S Maseko - this is a claim in the amount of R 10 000 for damages to vehicle caused by a rock that was left on the road.
121. S.E Mahlangu - this is a claim against the municipality in the amount of R 16 682 for damages to vehicle caused by a rock that was left on the road.
122. M. Wantenaar – this is a claim against the municipality in the amount of R 3 003 for damages to vehicle.
123. H. Dibakwane – this is a claim against the municipality in the amount of R 5 350 for damage to electrical appliances.
124. H. Dibakwane – this is a claim against the municipality in the amount of R 5 350 for damage to electrical appliances.
125. Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle for the amount of R12440.27



# Steve Tshwete Local Municipality

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### 43. Contingencies (continued)

#### Contingent assets

Contingent assets to the amount of R2 182 711 (2017) R917 331 was implemented by the Nkangala District Municipality. These assets will be transfer to the municipality on completion date. The assets are:

- 1) Roads and Stromwater: Newtown R839 727
- 2) Busniss Creation Expansion SMME: R1 342 983

### 44. Related parties

Relationships

Councillors

Refer to note 32

Key management

Refer to note 31

### 45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory		168,799,807	-	-	168,799,807
Long term receivables		37,657	-	-	37,657
Operating lease		262,158	-	-	262,158
Other receivables from exchange		28,835,511	-	(1,133,307)	27,702,204
Receivables from non-exchange		5,709,384	-	29,285,428	34,994,812
VAT receivable		6,441,569	-	-	6,441,569
Receivables from exchange		78,207,626	-	(29,285,428)	48,922,198
Short term investments		482,000,000	-	-	482,000,000
Deposits		-	-	1,133,307	1,133,307
Cash and cash equivalents		83,901,579	-	-	83,901,579
Investment property		26,006,538	-	-	26,006,538
Property, plant and equipment		6,208,806,200	20,028,018	129,114	6,228,963,332
Intangible assets		7,356,612	146,578	(129,114)	7,374,076
Long term liabilities		(11,442,543)	-	-	(11,442,543)
Finance lease obligation		(1,056,937)	-	-	(1,056,937)
Payables from exchange		(168,366,735)	-	-	(168,366,735)
Payables from non-exchange		(2,101,406)	-	-	(2,101,406)
Consumer deposits		(89,257,757)	-	-	(89,257,757)
Employee benefit obligation		(3,224,000)	-	-	(3,224,000)
Unspent conditional grants and receipts		(2,026,623)	-	-	(2,026,623)
Provisions		(1,518,821)	(116,494)	-	(1,635,315)
Long service award		(1,651,000)	-	-	(1,651,000)
Long term liabilities		(55,323,355)	-	-	(55,323,355)
Finance lease obligation		(4,571,138)	-	-	(4,571,138)
Employee benefit obligation		(87,625,060)	-	-	(87,625,060)
Provisions		(25,000,895)	-	-	(25,000,895)
Long service award		(16,943,629)	-	-	(16,943,629)
Accumulated surplus - Opening balance 1 July 2016		(6,478,237,656)	(22,525,047)	-	-(6,500,762,703)
Surplus for the year		(148,017,086)	2,466,945	-	-(145,550,141)

#### Statement of financial performance

# Steve Tshwete Local Municipality

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## Notes to the Annual Financial Statements

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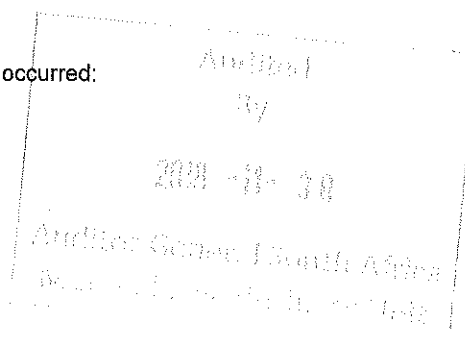
### 45. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		-	-	-	-
Service charges		723,831,163	-	6,035,118	729,866,281
Sale of goods and rendering of services		-	-	9,383,233	9,383,233
Rental of facilities and equipment		15,239,388	-	(101,391)	15,137,997
Interest income - trading		3,425,188	-	(1,488,323)	1,936,865
Income from agency services		20,345,495	-	-	20,345,495
Licences and permits		8,799,652	-	193,533	8,993,185
Operational revenue		28,254,020	-	(15,565,773)	12,688,247
Interest income - investing		47,867,886	-	-	47,867,886
Revenue from non-exchange transactions		-	-	-	-
Property rates		309,753,630	-	-	309,753,630
Interest income - trading		-	-	1,488,322	1,488,322
Government grants and subsidies		190,727,740	-	-	190,727,740
Public contributions and donations		82,098,786	-	-	82,098,786
Fines, penalties and forfeits		18,316,692	-	46,111	18,362,803
Expenditure		-	-	-	-
Employee related costs		(417,546,634)	(116,494)	(16,846,866)	(434,509,994)
Remuneration of councillors		(19,588,849)	-	-	(19,588,849)
Depreciation and amortisation		(150,879,779)	(2,678,164)	-	(153,557,943)
Impairment loss/ Reversal of impairments		(7,031,746)	(157,154)	(29,180,141)	(36,369,041)
Finance costs		(18,639,974)	-	7,907,942	(10,732,032)
Rentals		(573,450)	-	-	(573,450)
Debt impairment		(29,180,141)	-	29,180,141	-
Collection cost		(1,704,614)	-	1,704,614	-
Repairs and maintenance		(73,356,543)	-	73,356,543	-
Inventory consumed		-	-	(29,216,100)	(29,216,100)
Bulk purchases		(410,753,825)	-	-	(410,753,825)
Contracted services		(42,654,882)	484,869	(90,100,019)	(132,270,032)
Grants and subsidies paid		(5,963,573)	-	4,140,573	(1,823,000)
Loss on disposal of assets and liabilities		-	-	(894,747)	(894,747)
Inventory losses		-	-	(30,085)	(30,085)
Contribution to provisions		(3,017,947)	-	3,017,947	-
Operational costs		(122,423,378)	-	49,642,149	(72,781,229)
Actuarial gains / (losses)		3,576,693	-	(3,576,693)	-
Profit / (loss) on disposal of assets and liabilities		(903,912)	-	903,912	-
<b>Surplus for the year</b>		<b>148,017,086</b>	<b>(2,466,943)</b>	<b>-</b>	<b>145,550,143</b>

### Errors

The following prior period errors adjustments occurred:





# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 45. Prior-year adjustments (continued)

#### Error 1

Property, plant and equipment were identified during the previous audit with zero balances and still in use. The useful life of these assets were reviewed and corrected retrospectively.

#### Statement of financial position

Property plant and equipment	-	19,543,150
Intangible assets	-	146,578
Opening accumulated surplus	-	(22,525,047)
Accumulated surplus	-	2,835,319
	-	-

#### Statement of financial performance

Depreciation and amortisation	-	(2,835,319)
Surplus for the year	-	2,835,319
	-	-

#### Error 2

Performance Bonus for the youth manager was not accrued in the prior period.

#### Statement of financial position

Current Liabilities: Provisions	-	(116,494)
Accumulated Surplus	-	116,494
	-	-

#### Statement of financial performance

Employee Related Cost	-	(116,494)
Surplus for the year	-	116,494
	-	-

#### Error 3

Traffic lights were repaired under repair and maintenance which meet the criteria of capital and must be capitalized.

#### Statement of financial position

Property, plant and equipment	-	484,868
Accumulated Surplus	-	(484,868)
	-	-

#### Statement of financial performance

Contracted Services	-	484,868
Surplus for the year	-	(484,868)
	-	-

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Prior-year adjustments (continued)

#### Reclassifications

As of 1 July 2017 the municipality has implemented National Treasury's Municipal Standard Chart of Accounts (MSCOA). The new chart is designed to enhance comparability between municipalities and therefore result in information disclosed being more understandable and reliable. Due to the implementation of the new chart, certain comparative figures needed to be restated to be restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.

#### Repairs and Maintenance

When the MSCOA task team performed an assessment of the expenses included in under the repairs and maintenance accounts, it was noted that whilst the purpose of the expenditure was to repair or maintain assets, the actual nature of the expenses was actually those of other expense types which should have fallen within the Operational costs or Contracted Services line items.

### 46. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are set out in note 45.

### 47. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	16,827,837	13,792,058	49,563,052	102,851,408
Payables from non-exchange transactions	843,708	139,415	214,409	903,874
Payables from exchange transactions	113,131,161	749,156	55,758,305	-
At June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	11,442,540	12,647,558	30,873,847	11,801,950
Payables from non-exchange transactions	5,351,354	139,415	214,409	1,091,332
Payables from exchange transactions	116,356,126	1,522,810	50,487,801	-

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

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### 47. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Cash and cash equivalents	73,070,669	83,901,579
Trade receivables from exchange transactions	38,756,390	48,922,198
Investments	597,711,000	482,000,000
Long term receivables	11,364	37,657
Other receivables from exchange transactions	24,934,082	27,702,205
Receivables from non-exchange transactions	28,783,534	34,994,812

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 49. Unauthorised expenditure

Opening balance	1,415,381	-
Planning and development (CAPEX)	61,044	-
Community and public safety	-	1,415,381
Executive and Council	17,893,218	-
Roads Transport	5,585,975	-
Trading Services: Water Management	397,995	-
Trading Services: Waste Management	2,095,202	-
Authorised by Council	(1,415,381)	-
	<b>26,033,434</b>	<b>1,415,381</b>

Executive and Council: Expenditure relates to the impairment of debtors, leave provision and employee stated benefits provision which were higher than provided for in the budget process

Roads Transport: Expenditure relate to provision for impairment for traffic fines.

Waste Management: Expenditure relate to landfill site interest cost.

Water Management: Expenditure relate to impairment of debtors and loss of disposal.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>50. Fruitless and wasteful expenditure</b>		
Opening balances	140,881	140,881
Written off by council	(140,001)	-
	<b>880</b>	<b>140,881</b>

Insufficient evidence exists that officials were negligent in the fraudulent payment. As a result council has written off the expenditure

### 51. Irregular expenditure

Opening balance	54,311,012	35,882,165
Add: Irregular Expenditure - current year	5,179,899	18,428,847
Expenditure written off	(53,583,779)	-
	<b>5,907,132</b>	<b>54,311,012</b>

The Municipal Public Accounts Committee investigated the above irregular expenditures. An attorney was appointed to investigate and make recommendations. It was found that although the deviations did not comply with the supply chain policy, they acted in good faith and value for money was received. It was recommended to Council to written off the expenditure

### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to SALGA

Membership fees payable	5,363,709	4,267,547
Amount paid - current year	(5,363,709)	(4,267,547)
	-	-

#### Audit fees

Current year fee	4,627,067	4,135,664
Amount paid - current year	(4,627,067)	(4,135,664)
	-	-

#### PAYE and UIF

Current year payroll deduction (PAYE)	63,510,057	56,369,275
Current year payroll deduction (UIF)	4,942,745	4,742,582
Amount paid - current year (PAYE)	(63,510,057)	(56,369,275)
Amount paid - current year (UIF)	(4,942,745)	(4,742,582)
	-	-

#### Pension and medical aid deductions

Current year payroll deduction (medical aid)	41,686,511	37,044,059
Current year payroll deduction (pension fund)	71,648,348	65,647,529
Amount paid - current year (medical aid)	(41,686,511)	(37,044,059)
Amount paid - current year (pension fund)	(71,648,348)	(65,647,529)
	-	-

#### VAT

VAT receivable	37,581,156	6,441,569
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All VAT returns have been submitted by the due date throughout the year.

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2017 and 30 June 2016:

June 30, 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Vilakazi T R	734	-	734
Motau T P & H K	546	-	546
Vilakazi T R	375	-	375
Mathibela N M	142	-	142
Sithole P N	307	-	307
Mphego M C	67	-	67
Duvenhage JP	4,021	48,163	52,184
	<b>6,192</b>	<b>48,163</b>	<b>54,355</b>

June 30, 2017

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
None	-	-	-

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Tsoga Moteo Trading and Projects	-	247,287
Mamphela Waste Management (Pty) Ltd	282,460	389,194
Lefase la Rona Trading and Projects 416	-	45,345
Altimax Chartered Accountants Inc.	-	42,100
Middelburg Auto Body Panelbeater	-	25,581
Mpumanzi Group	385,549	-
Precision Engineering and Solutions	8,499	-
	<b>676,508</b>	<b>749,507</b>

# Steve Tshwete Local Municipality

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>53. Deviation from supply chain management regulations</b>		
<b>Class</b>		
Emergency	1,106,847	28,621,747
Sole suppliers	977,328	10,013,671
Impractical or impossible to follow the process	3,164,842	22,576,745
Special works of art	-	147,606
	<b>5,249,017</b>	<b>61,359,769</b>

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

### 54. Budget differences

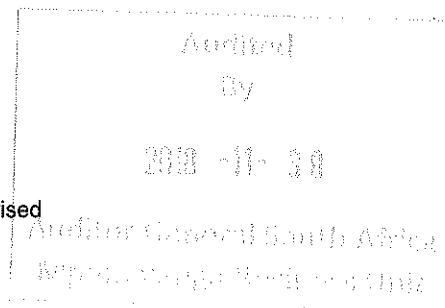
#### Material differences between budget and actual amounts

The excess of actual expenditure and revenue over the final budget of 10% are explained below:

1. Licenses and permits - Increase in tariff for leaners and drivers licenses result in more revenue than anticipated in budget.
2. Rental of facilities - New surface rental agreement result in higher revenue to the amount of R1,6 million received than budget for.
3. Interest received investment income - The sale of properties contribute to more cash inflows and as a result more interest received from investments.
4. Fines, penalties and forfeits - Increased traffic fines accrued mostly contribute to the higher income.
5. Financing cost - External loan facility planned to be taken up during first half of the year, but only realize at the end of the financial year. Therefor the budgeted interest did not realized.
6. Contractor services - Various contractor services such as consulting fees, evictions, garden refuse removal and repair and maintenance contracted services did not realized as planned.
7. Grant and subsidies paid - Lessor adhoc grants realized than planned in the budget.
8. General expenditure - various expenditures did not realized than plan such as advertisements, training, and the Eskom connection fee which did not realized due to delay by Eskom to finalized.
9. Gains and losses - Gains and losses realize mostly due to sale of land and property, plant and equipment which was disposed.
10. Various budget balance sheet and cash flow differences occur. Mainly due to the mSCOA alignment and budgeting.

### 55. In-kind donations and assistance

<b>Nkangala District Municipality</b>		
Disater Management Campaign	52,276	4,530
Emergency Open Day	409,058	-
HIV/AIDS Campaign	54,495	16,100
MHS Education and Awareness	43,620	34,842
EPWP Vukanethemba	75,700	460,833
SCM/Debtor Verification System	420,000	480,000
Land Survey	766,180	210,000
By-Laws Public Transport and Non-Motorised	45,500	509,476
Development of Multimodal Facility	-	565,000
Public Transport Action Plan	-	798,026
Township Establishment	-	940,000
By-Laws	-	58,772
	<b>1,866,829</b>	<b>4,077,579</b>



**APPENDIX H**  
**DEVIATION FROM PROCUREMENT PROCESSES**  
**Supply Chain Regulation 40**  
**for the year ended 30 June 2018**

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>JULY 2017</b>				
Community	Van Wettens	4 277,28	Sec 40(1)(a)(i) – emergency	Vehicle got stuck in the mud on grass fire at the N11 road and needed to be towed.
Community	Middelburg Truck & Trailer	2 691,80	Sec 40(1)(a)(i) – emergency	Brake repairs. The truck linings were stripped and relined to avoid accidents that may occur.
Community	Martiq 898 CC	8 275,00	Sec 40(1)(a)(i) – emergency	Tyres got damaged at the veld fire Botshabelo while extinguishing fire.
Community	Middelburg Truck & Trailer	196 105,30	Sec 40(1)(a)(i) – emergency	The engine for Freihliner got damaged and needed urgent repairs.
Community	Seasons Find	1 241,50	Sec 40(1)(a)(v) - exceptional case	Tender for tyres expired and the new one still in the process for being advertised and appoint the new service provider.
Finance	Middelburg Masiteng	54 813,13	Sec 40(1)(a)(v) - exceptional case	Meter reading contract expired, new tender process will commence upon the inception of new financial system in line with mSCOA.
Finance	Middelburg Masiteng	3 086,59	Sec 40(1)(a)(v) - exceptional case	Meter reading contract expired, new tender process will commence upon the inception of new financial system in line with mSCOA.
Infrastructure	Seasons Find	9 882,00	Sec 40(1)(a)(v) - exceptional case	Tender for tyres expired and the new one still in the process for being advertised and appoint the new service provider.
Community	Van Wettens	5 985,00	Sec 40(1)(a)(v) - exceptional case	Unimog was not starting and was taken Steyn Garage and needed to be towed.
Community	Van Wettens	3 249,00	Sec 40(1)(a)(v) - exceptional case	Patrol car got stuck in the mud and needed towing service.
Community	Phoenix 34	7 014,00	Sec 40(1)(a)(v) - exceptional case	The patrol vehicle needed some repairs on shocks, rear and front brakes, skim and shoes relined.

Approved  
By  
2018-07-30  
Accountant-General, South Africa  
South African Revenue Service

Department	Supplier	Amount (VAT Incl.) R	Reason for deviation	Motivation
Infrastructure	Seasons Find	4 714,00	Sec 40(1)(a)(v) - exceptional case	Tender for tyres expired and the new one still in the process for being advertised and appoint the new service provider

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 By  
 2020-11-30  
 Auditor General South Africa  
 Republic of South Africa

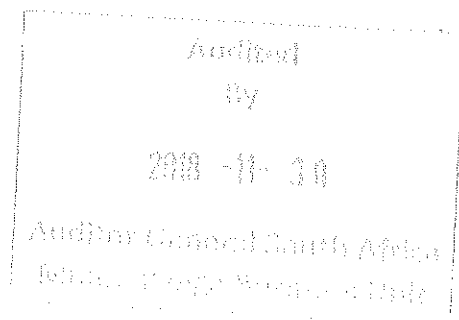


Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>AUGUST 2017</b>				
Community	Martiq 989 CC	8 275,00	Sec 40(1)(a)(i) – emergency	Tyres got damaged at the veld fire Botshabelo while extinguishing fire.
Community	Jebtle Properties	50 720,54	Sec 40(1)(a)(i) – emergency	The computer made a shot and burned the aircon alternator and computer box.
Community	Middelburg Truck & Trailer	2 691,80	Sec 40(1)(a)(i) – emergency	The company did a strip and quote, would be costly to take it to another service provider.
Community	Van Wettens	4 277,28	Sec 40(1)(a)(i) – emergency	Fire truck got stuck in the mud on a grass fire and needed to be towed.
Community	Bell Equipment	2 349,65	Sec 40(1)(a)(ii) - single provider	The part can only be obtained from the dealer.
Community	Middelburg Truck & Trailer	5 897,90	Sec 40(1)(a)(v) - exceptional case	The part can only be obtained from the dealer.
Infrastructure	Seasons Find 704 CC	4 941,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Mechanibike	4 605,00	Sec 40(1)(a)(v) - exceptional case	They are the only supplier willing to give detailed quotations, other suppliers in and around STLM MP313 area refuse to quote.
Community	Barloworld Toyota	4 703,90	Sec 40(1)(a)(v) - exceptional case	Accredited motor dealer.
Corporate	Admirable & Innovation	4 630,00	Sec 40(1)(a)(v) - exceptional case	Quotation for car wash not yet finalized, new service provider will be appointed in the new year.
Infrastructure	Seasons Find 704 CC	150,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 705,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Finf 704 CC	1 705,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.

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by  
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Republic of South Africa



Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Municipal Manager	Seasons Find 704 CC	5 240,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services
Community	Vivrocruich CC	7 628,00	Sec 40(1)(a)(v) - exceptional case	They are the only supplier willing to give detailed quotations, other suppliers in and around STLM MP313 area refuse to quote.
Infrastructure	Seasons Find 704 CC	4 714,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Phoeni 34	7 014,00	Sec 40(1)(a)(v) - exceptional case	Vehicle used for fire services and repairs need to be done urgently.
Community	Van Wettens	3 249,00	Sec 40(1)(a)(v) - exceptional case	Vehicle got stuck in the mud and needed some towing service.
Community	Van Wettens	5 985,00	Sec 40(1)(a)(v) - exceptional case	The vehicle did not start after it has been re fuelled and Van Wettens had to be called for towing services.
Infrastructure	Seasons Find 704 CC	9 882,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 241,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Middelburg Truck & Trailer	196 105,30	Sec 40(1)(a)(v) - exceptional case	The vehicle is used for rescue and house fire at Hendrina.
Finance	Middelburg Masiteng Meter Readings	3 086,59	Sec 40(1)(a)(v) - exceptional case	The meter reading contract held with supplier expired. New tender process will commence upon the new financial system which will be in line with mSCOA.
Finance	Middelburg Masiteng Meter Readings	54 813,13	Sec 40(1)(a)(v) - exceptional case	The meter reading contract held with supplier expired. New tender process will commence upon the new financial system which will be in line with mSCOA.
Infrastructure	Seasons Find 704 CC	4 941,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.



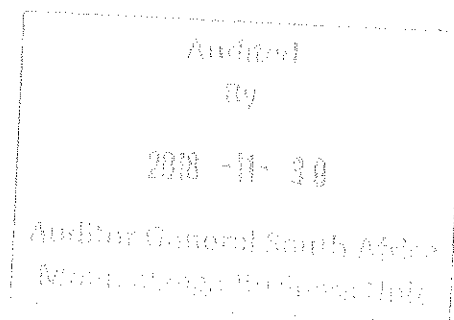
Department	Supplier	Amount (VAT Incl.) R	Reason for deviation	Motivation
Community	Tyres Auto	37 277,13	Sec 40(1)(a)(v) - exceptional case	They are the experts of the engine jobs. Was previously send to different service provider who could not solve the problem.
Community	Eastvaal Motors	2 517,10	Sec 40(1)(a)(v) - exceptional case	Accredited motor dealer.

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By  
2010-11-30  
Auditor General South Africa  
Motor Vehicle Inspection Unit

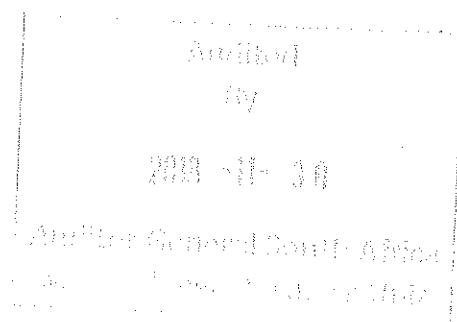
Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>SEPTEMBER 2017</b>				
Community	All Enterprises	5 685,00	Sec 40(1)(a)(i) – emergency	The truck got stuck while working in Mhluzi, three (3) companies were invited but only one (1) came on site and provide service.
Community	Van Wettens	3 363,00	Sec 40(1)(a)(i) – emergency	The truck was involved in an accident and needed some towing service.
Finance	Conlog	383 051,40	Sec 40(1)(a)(ii) - single provider	They are the manufacturer of electrical meters that are used in the municipality.
Corporate	Whoodoo Media	33 490,13	Sec 40(1)(a)(v) - exceptional case	Council resolved that City Press be used as newspaper of record for communication local media via print media.
Infrastructure	Seasons Find 704 CC	31 300,41	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	2 764,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	2 357,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	4 714,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	12 420,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 216,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	2 433,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.

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By  
2018-11-30  
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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Seasons Find 704 CC	2 470,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	2 370,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	3 110,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Savuka Steel	27 800,00	Sec 40(1)(a)(v) - exceptional case	The company did strip and quote, and would have been expensive to take it to another service provider for the quote.



Department	Supplier	Amount (VAT Incl.) R	Reason for deviation	Motivation
<b>OCTOBER 2017</b>				
Municipal Manager	Project Portfolio Office	26 210,88	Sec 40(1)(a)(II) - single provider	Additional user licences to link software with financial system and align with procurement plan & mSCOA.
Municipal Manager	Project Portfolio Office	26 210,88	Sec 40(1)(a)(II) - single provider	Additional user licenses to link software with financial system and align with procurement plan & mSCOA and provide training.
Community	Alco-Safe Pty Ltd	2 109,00	Sec 40(1)(a)(II) - single provider	Service provider is sole provider and manufacturer of product.
Community	Department of Community, Safety Security and Liaison	46 907,00	Sec 40(1)(a)(II) - single provider	Sole provider of said face value documents used by licensing department.
Infrastructure	McCarthy Limited	500,00	Sec 40(1)(a)(II) - single provider	Warranty services (75 000 km) can only be carried out by local agents.
Corporate	GP Van Niekerk Onderneming BK	10 661,85	Sec 40(1)(a)(II) - single provider	Service provider is the sole supplier for INET TCP/IT & WINET.
Community	Seasons Find 7024 CC	2 583,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 7024 CC	4 896,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 7024 CC	2 457,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 7024 CC	4 941,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 7024 CC	4 789,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 7024 CC	2 433,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.



Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Community	Seasons Find 7024 CC	1 467,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Finance	Mayivuthe Contractors	714 780,00	Sec 40(1)(a)(v) - exceptional case	Three (3) quotations were obtained but the total value of order exceeds R200 000,00 and a deviation is required to proceed with the transaction. SCM stores don't keep this quantity for ABC cable in stock.
Finance	Seasons Find 7024 CC	455 600,00	Sec 40(1)(a)(v) - exceptional case	STLM do have a contract with Kriek Business Enterprise but the company is not currently in a position to provide the required quantity of diesel and the levels at the depot are critical low and will hampered service delivery.
Community	Eastvaal Motors (Pty) Ltd	2 076,97	Sec 40(1)(a)(v) - exceptional case	Vehicle is still under guarantee and service required can only be done by the agent.
Community	Fidelity Security Management	4 970,00	Sec 40(1)(a)(v) - exceptional case	Service provider currently have a contract with STLM for the supply and delivery of such money bags.

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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>NOVEMBER 2017</b>				
Community	Nelvin (Pty) Ltd	57 000,00	Sec 40(1)(a)(i) – emergency	Municipal front end loader broke down, there was no tipper truck to clean illegal dumping.
Corporate	Mid Alarms	6 210,00	Sec 40(1)(a)(v) - exceptional case	The company is contracted with the municipality for the alarm monitoring system within MP313 area.
Infrastructure	Seasons Find 704 CC	7 022,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	7 022,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	23 600,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	8 777,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	4 714,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	921,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 203,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 091,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.

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Department	Supplier	Amount (VAT Incl.) R	Reason for deviation	Motivation
Infrastructure	Seasons Find 704 CC	2 470,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 093,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Mid Alarms	11 120,00	Sec 40(1)(a)(v) - exceptional case	They are the compliant company who responded from the advertised quotation, the other company is not registered on CSD hence they are contracted to municipality for the alarm system in Steve Tshwete MP313 area.

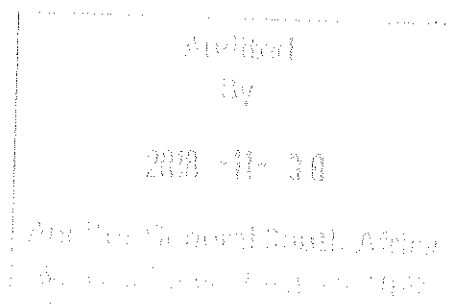
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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Infrastructure	Seasons Find 704 CC	169,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	150,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 743,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	4 753,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	2 382,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.

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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>JANUARY 2018</b>				
Community	Barloworld Toyota	2 242,21	Sec 40(1)(a)(v) - exceptional case	Vehicle still under warranty.
Infrastructure	Seasons Find 704 CC	2 357,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	9 882,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	9 882,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 300,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	1 178,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	5 154,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	5 016,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Strategic Support	Guvon Operations	317 837	Sec 40(1)(a)(v)-exceptional case	Arrangements for Strategic legotla



Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>FEBRUARY 2018</b>				
Community	Truvelo Africa	23 520,90	Sec 40(1)(a)(II) - single provider	Truvelo is the sole provider and manufacturer of the machines.
Infrastructure	Seasons Find 704 CC	6 922,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 100,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	2 433,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 100,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.

Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
<b>MARCH 2018</b>				
Corporate	Bidvest Waltons	42 844,62	Sec 40(1)(a)(ii) - single provider	Standardized filing cabinets are used at legal and admin, Bidvest Waltons are the only supplier of files and boxes.
Corporate	Early Worx	194 000,00	Sec 40(1)(a)(ii) - single provider	Early Worx is the sole importer and sole supplier of Franco type-postalia in South Africa.
Community	Seasons Find 704 CC	2 445,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	2 401,50	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	Seasons Find 704 CC	2 357,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Corporate	Seasons Find 704 CC	2 383,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 095,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Community	Seasons Find 704 CC	1 093,00	Sec 40(1)(a)(v) - exceptional case	Tyre tender expired and the new one still in the process of being advertised, in the meantime the extension of old contract has been made to render the tyre services.
Infrastructure	MP-JA Trading	798 000,00	Sec 40(1)(a)(v) - exceptional case	Prior to project implementation, there were no feasibility studies conducted to ascertain the root causes. It rained during project execution and caused additional damages inside the library.
Community	Mechanibike	7 981,50	Sec 40(1)(a)(v) - exceptional case	They are the only dealer willing to give detailed quote (strip and quote).
Community	Mechanibike	29 158,00	Sec 40(1)(a)(v) - exceptional case	They are the only dealer willing to give detailed quote (strip and quote).

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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
Corporate	University of Johannesburg	23 100,00	Sec 40(1)(a)(v) - exceptional case	University of Johannesburg is offering a higher certificate in municipal governance programme. It is impractical to follow SCM processes.
Corporate	University of Johannesburg	26 400,00	Sec 40(1)(a)(v) - exceptional case	University of Johannesburg is offering a higher certificate in municipal governance programme. It is impractical to follow SCM processes.
Municipal Manager	More & More	10 000,00	Sec 40(1)(a)(v) - exceptional case	Izimbiwa Coal sponsored the services and deposited the money to municipal account as they are registered with CSD not with the mine.

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Department	Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation
APRIL 2018 Community	Truvelo Africa	6 576,34	Sec 40(1)(a)(ii) - single provider	The machine was purchased from Truvelo and they are the sole provider and manufacturer of the machine.

